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HAMILTON'S WORKS.

VOL. III.

THE WORKS

OF

ALEXANDER HAMILTON;

COMPRISING

HIS CORRESPONDENCE,

AND

HIS POLITICAL AND OFFICIAL WRITINGS,

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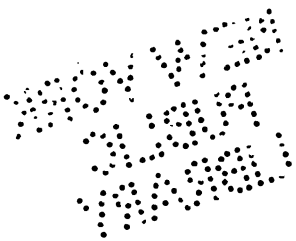

FINANCE.

TREASURY DEPARTMENT.

PUBLIC CREDIT.

Communicated to the House of Representatives, January 14, 1790.

TREASURY DEPARTMENT, January 9, 1790.

The Secretary of the Treasury, in obedience to the resolution of the House of Representatives of the twenty-first day of September last, has, during the recess of Congress, applied himself to the consideration of a proper plan for the support of the public credit, with all the attention which was due to the authority of the House, and to the magnitude of the object.

In the discharge of this duty, he has felt, in no small degree, the anxieties which naturally flow from a just estimate of the difficulty of the task, from a well founded diffidence of his own qualifications for executing it with success, and from a deep and solemn conviction of the momentous nature of the truth contained in the resolution under which his investigations have been conducted, "That an adequate provision for the support of the public credit is a matter of high importance to the honor and prosperity of the United States."

With an ardent desire that his well meant endeavors may be conducive to the real advantage of the nation, and with the utmost deference to the superior judgment of the House, he now

respectfully submits the result of his inquiries and reflections to their indulgent construction.

In the opinion of the Secretary, the wisdom of the House, in giving their explicit sanction to the proposition which has been stated, cannot but be applauded by all who will seriously consider and trace, through their obvious consequences, these plain and undeniable truths:

That exigencies are to be expected to occur, in the affairs of nations, in which there will be a necessity for borrowing.

That loans in times of public danger, especially from foreign war, are found an indispensable resource, even to the wealthiest of them.

And that, in a country which, like this, is possessed of little active wealth, or, in other words, little moneyed capital, the necessity for that resource must, in such emergencies, be proportionably urgent.

And as, on the one hand, the necessity for borrowing, in particular emergencies, cannot be doubted, so, on the other, it is equally evident, that, to be able to borrow upon good terms, it is essential that the credit of a nation should be well established.

For, when the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make. Nor does the evil end here; the same disadvantage must be sustained upon whatever is to be bought on terms of future payment.

From this constant necessity of borrowing and buying dear, it is easy to conceive how immensely the expenses of a nation, in a course of time, will be augmented by an unsound state of the public credit.

To attempt to enumerate the complicated variety of mischiefs in the whole system of the social economy, which proceed from a neglect of the maxims that uphold public credit, and justify the solicitude manifested by the House on this point, would be an improper intrusion on their time and patience.

In so strong a light, nevertheless, do they appear to the Secretary, that, on their due observance, at the present critical juncture, materially depends, in his judgment, the individual and

aggregate prosperity of the citizens of the United States; their relief from the embarrassments they now experience; their character as a people; the cause of good government.

If the maintenance of public credit, then, be truly so important, the next inquiry which suggests itself is, By what means is it to be effected? The ready answer to which question is, by good faith; by a punctual performance of contracts. States, like individuals, who observe their engagements, are respected and trusted, while the reverse is the fate of those who pursue an opposite conduct.

Every breach of the public engagements, whether from choice or necessity, is, in different degrees, hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention, on the part of the Government, to carry the violation no further than the necessity absolutely requires, and to manifest, if the nature of the case admit of it, a sincere disposition to make reparation whenever circumstances shall permit. But, with every possible mitigation, credit must suffer, and numerous mischiefs ensue. It is, therefore, highly important, when an appearance of necessity seems to press upon the public councils, that they should examine well its reality, and be perfectly assured that there is no method of escaping from it, before they yield to its suggestions. For, though it cannot safely be affirmed that occasions have never existed, or may not exist, in which violations of the public faith, in this respect, are inevitable; yet there is great reason to believe, that they exist far less frequently than precedents indicate, and are oftenest either pretended, through levity or want of firmness; or supposed, through want of knowledge. Expedients often have been devised to effect, consistently with good faith, what has been done in contravention of it. Those who are most commonly creditors of a nation, are, generally speaking, enlightened men; and there are signal examples to warrant a conclusion, that, when a candid and fair appeal is made to them, they will understand their true interest too well to refuse their concurrence in such modifications of their claims as any real necessity may demand.

While the observance of that good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it is enforced by considerations of still greater authority. There are arguments for it which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connection between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities that give peculiar force to the obligation. There is, indeed, reason to regret that it has not hitherto been kept; that the necessities of the war, conspiring with inexperience in the subjects of finance, produced direct infractions; and that the subsequent period has been a continued scene of negative violation or non-compliance. But a diminution of this regret arises from the reflection, that the last seven years have exhibited an earnest and uniform effort, on the part of the Government of the Union, to retrieve the national credit, by doing justice to the creditors of the nation; and that the embarrassments of a defective constitution, which defeated this laudable effort, have ceased.

From this evidence of a favorable disposition given by the former Government, the institution of a new one, clothed with powers competent to calling forth the resources of the community, has excited correspondent expectations. A general belief accordingly prevails, that the credit of the United States will quickly be established on the firm foundation of an effectual provision for the existing debt. The influence which this has had at home, is witnessed by the rapid increase that has taken place in the market value of the public securities. From January to November, they rose thirty-three and a third per cent.; and, from that period to this time, they have risen fifty per cent. more; and the intelligence from abroad announces effects proportionably favorable to our national credit and consequence.

It cannot but merit particular attention, that, among ourselves,

the most enlightened friends of good government are those whose expectations are the highest.

To justify and preserve their confidence; to promote the increasing respectability of the American name; to answer the calls of justice; to restore landed property to its due value; to furnish new resources, both to agriculture and commerce; to cement more closely the union of the States; to add to their security against foreign attack; to establish public order on the basis of an upright and liberal policy;—these are the great and invaluable ends to be secured by a proper and adequate provision, at the present period, for the support of public credit.

To this provision we are invited, not only by the general considerations which have been noticed, but by others of a more particular nature. It will procure, to every class of the community, some important advantages, and remove some no less important disadvantages.

The advantage to the public creditors, from the increased value of that part of their property which constitutes the public debt, needs no explanation.

But there is a consequence of this, less obvious, though not less true, in which every other citizen is interested. It is a well known fact, that, in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money. Transfers of stock or public debt, are there equivalent to payments in specie; or, in other words, stock, in the principal transactions of business, passes current as specie. The same thing would, in all probability, happen here under the like circumstances.

The benefits of this are various and obvious:

First. Trade is extended by it, because there is a larger capital to carry it on, and the merchant can, at the same time, afford to trade for smaller profits; as his stock, which, when unemployed, brings him in an interest from the Government, serves him also as money when he has a call for it in his commercial operations.

Secondly. Agriculture and manufactures are also promoted by it, for the like reason, that more capital can be commanded to be employed in both; and because the merchant, whose enter-

prise in foreign trade gives to them activity and extension, has greater means for enterprise.

Thirdly. The interest of money will be lowered by it; for this is always in a ratio to the quantity of money, and to the quickness of circulation. This circumstance will enable both the public and individuals to borrow on easier and cheaper terms.

And from the combination of these effects, additional aids will be furnished to labor, to industry, and to arts of every kind. But these good effects of a public debt are only to be looked for, when, by being well funded, it has acquired an adequate and stable value; till then, it has rather a contrary tendency. The fluctuation and insecurity incident to it, in an unfunded state, render it a mere commodity, and a precarious one. As such, being only an object of occasional and particular speculation, all the money applied to it is so much diverted from the more useful channels of circulation, for which the thing itself affords no substitute; so that, in fact, one serious inconvenience of an unfunded debt is, that it contributes to the scarcity of money.

This dictinction, which has been little if at all attended to, is of the greatest moment; it involves a question immediately interesting to every part of the community, which is no other than this: Whether the public debt, by a provision for it on true principles, shall be rendered a substitute for money; or whether, by being left as it is, or by being provided for in such a manner as will wound those principles, and destroy confidence, it shall be suffered to continue as it is, a pernicious drain of our cash from the channels of productive industry?

The effect which the funding of the public debt, on right principles, would have upon landed property, is one of the circumstances attending such an arrangement, which has been least adverted to, though it deserves the most particular attention. The present depreciated state of that species of property is a serious calamity. The value of cultivated lands, in most of the States, has fallen, since the Revolution, from twenty-five to fifty per cent. In those further south, the decrease is still more considerable. Indeed, if the representations continually received from that quarter may be credited, lands there will command no

price which may not be deemed an almost total sacrifice. This decrease in the value of lands, ought, in a great measure, to be attributed to the scarcity of money; consequently, whatever produces an augmentation of the moneyed capital of the country, must have a proportional effect in raising that value. The beneficial tendency of a funded debt, in this respect, has been manifested by the most decisive experience in Great Britain.

The proprietors of lands would not only feel the benefit of this increase in the value of their property, and of a more prompt and better sale, when they had occasion to sell, but the necessity of selling would be itself greatly diminished. As the same cause would contribute to the facility of loans, there is reason to believe that such of them as are indebted, would be able, through that resource, to satisfy their more urgent creditors.

It ought not, however, to be expected, that the advantages described as likely to result from funding the public debt, would be instantaneous. It might require some time to bring the value of stock to its natural level, and to attach to it that fixed confidence which is necessary to its quality as money. Yet the late rapid rise of the public securities encourages an expectation that the progress of stock, to the desirable point, will be much more expeditious than could have been foreseen. And as, in the mean time, it will be increasing in value, there is room to conclude that it will, from the outset, answer many of the purposes in contemplation. Particularly, it seems to be probable, that from creditors, who are not themselves necessitous, it will early meet with a ready reception in payment of debts, at its current price.

Having now taken a concise view of the inducements to a proper provision for the public debt, the next inquiry which presents itself is, What ought to be the nature of such a provision? This requires some preliminary discussions.

It is agreed, on all hands, that that part of the debt which has been contracted abroad, and is denominated the foreign debt, ought to be provided for according to the precise terms of the contracts relating to it. The discussions which can arise, therefore, will have reference essentially to the domestic part of it, or to that which has been contracted at home. It is to be

regretted that there is not the same unanimity of sentiment on this part as on the other.

The Secretary has too much deference for the opinions of every part of the community, not to have observed one, which has more than once made its appearance in the public prints, and which is occasionally to be met with in conversation. It involves this question: Whether a discrimination ought not to be made between original holders of the public securities, and present possessors, by purchase? Those who advocate a discrimination, are for making a full provision for the securities of the former at their nominal value; but contend that the latter ought to receive no more than the cost to them, and the interest. And the idea is sometimes suggested, of making good the difference to the primitive possessor.

In favor of this scheme, it is alleged, that it would be unreasonable to pay twenty shillings in the pound, to one who had not given more for it than three or four. And it is added, that it would be hard to aggravate the misfortune of the first owner, who, probably, through necessity, parted with his property at so great a loss, by obliging him to contribute to the profit of the person who had speculated on his distresses.

The Secretary, after the most mature reflection on the force of this argument, is induced to reject the doctrine it contains, as equally unjust and impolitic; as highly injurious, even to the original holders of public securities; as ruinous to public credit.

It is inconsistent with justice, because, in the first place, it is a breach of contract—a violation of the rights of a fair purchaser.

The nature of the contract, in its origin, is, that the public will pay the sum expressed in the security, to the first holder or his assignee. The intent in making the security assignable, is, that the proprietor may be able to make use of his property, by selling it for as much as it may be worth in the market, and that the buyer may be safe in the purchase.

Every buyer, therefore, stands exactly in the place of the seller; has the same right with him to the identical sum expressed in the security; and, having acquired that right, by fair purchase, and in conformity to the original agreement and intention

of the Government, his claim cannot be disputed without manifest injustice.

That he is to be considered as a fair purchaser, results from this: whatever necessity the seller may have been under, was occasioned by the Government, in not making a proper provision for its debts. The buyer had no agency in it, and therefore ought not to suffer. He is not even chargeable with having taken an undue advantage. He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He, of course, gave a fair equivalent, and ought to reap the benefit of his hazard—a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government.

That the case of those who parted with their securities, from necessity, is a hard one, cannot be denied. But, whatever complaint of injury, or claim of redress, they may have, respects the Government solely. They have not only nothing to object to the persons who relieved their necessities, by giving them the current price of their property, but they are even under an implied condition to contribute to the reimbursement of those persons. They knew that, by the terms of the contract with themselves, the public were bound to pay to those to whom they should convey their title the sums stipulated to be paid to them; and that, as citizens of the United States, they were to bear their proportion of the contribution for that purpose. This, by the act of assignment, they tacitly engage to do; and, if they had an option, they could not, with integrity or good faith, refuse to do it, without the consent of those to whom they sold.

But, though many of the original holders sold from necessity, it does not follow that this was the case with all of them. It may well be supposed that some of them did it either through want of confidence in an eventual provision, or from the allurements of some profitable speculation. How shall these different classes be discriminated from each other? How shall it be ascertained, in any case, that the money which the original holder obtained for his security, was not more beneficial to him, than if he had held it to the present time, to avail himself of the provision

which shall be made? How shall it be known whether, if the purchaser had employed his money in some other way, he would not be in a better situation than by having applied it in the purchase of securities, though he should now receive their full amount? And, if neither of these things can be known, how shall it be determined, whether a discrimination, independent of the breach of contract, would not do a real injury to purchasers; and, if it included a compensation to the primitive proprietors, would not give them an advantage to which they had no equitable pretension?

It may well be imagined, also, that there are not wanting instances, in which individuals, urged by a present necessity, parted with the securities received by them from the public, and shortly after replaced them with others, as an indemnity for their first loss. Shall they be deprived of the indemnity which they have endeavored to secure by so provident an arrangement?

Questions of this sort, on a close inspection, multiply themselves without end, and demonstrate the injustice of a discrimination, even on the most subtile calculations of equity, abstracted from the obligation of contract.

The difficulties, too, of regulating the details of a plan for that purpose, which would have even the semblance of equity, would be found immense. It may well be doubted, whether they would not be insurmountable, and replete with such absurd as well as inequitable consequences, as to disgust even the proposers of the measure.

As a specimen of its capricious operation, it will be sufficient to notice the effect it would have upon two persons, who may be supposed, two years ago, to have purchased, each, securities, at three shillings in the pound, and one of them to retain those bought by him, till the discrimination should take place; the other, to have parted with those bought by him, within a month past, at nine shillings. The former, who had had most confidence in the Government, would, in this case, only receive at the rate of three shillings, and the interest; while the latter, who had had less confidence, would receive for what cost him the same money, at the rate of nine shillings, and his representative, standing in his place, would be entitled to a like rate.

The impolicy of a discrimination results from two considerations: one, that it proceeds upon a principle destructive of that quality of the public debt, or the stock of the nation, which is essential to its capacity for answering the purposes of money, that is, the security of transfer; the other, that, as well on this account as because it includes a breach of faith, it renders property, in the funds, less valuable, consequently, induces lenders to demand a higher premium for what they lend, and produces every other inconvenience of a bad state of public credit.

It will be perceived, at first sight, that the transferable quality of stock is essential to its operation as money, and that this depends on the idea of complete security to the transferee, and a firm persuasion, that no distinction can, in any circumstances, be made between him and the original proprietor.

The precedent of an invasion of this fundamental principle, would, of course, tend to deprive the community of an advantage with which no temporary saving could bear the least comparison.

And it will as readily be perceived, that the same cause would operate a diminution of the value of stock in the hands of the first as well as of every other holder. The price which any man who should incline to purchase, would be willing to give for it, would be in a compound ratio to the immediate profit it afforded, and the chance of the continuance of his profit. If there was supposed to be any hazard of the latter, the risk would be taken into the calculation, and either there would be no purchase at all, or it would be at a proportionably less price.

For this diminution of the value of stock, every person who should be about to lend to the Government, would demand compensation, and would add to the actual difference between the nominal and the market value, an equivalent for the chance of greater decrease, which, in a precarious state of public credit, is always to be taken into the account. Every compensation of this sort, it is evident, would be an absolute loss to the Government.

In the preceding discussion of the impolicy of a discrimination, the injurious tendency of it to those who continue to be the

holders of the securities they received from the Government, has been explained. Nothing need be added on this head, except that this is an additional and interesting light in which the injustice of the measure may be seen. It would not only divest present proprietors, by purchase, of the rights they had acquired under the sanction of public faith, but it would depreciate the property of the remaining original holders. It is equally unnecessary to add any thing to what has been already said, to demonstrate the fatal influence which the principle of discrimination would have on the public credit.

But there is still a point of view, in which it will appear perhaps even more exceptionable than in either of the former. It would be repugnant to an express provision of the Constitution of the United States. This provision is, that "all debts contracted, and engagements entered into, before the adoption of that Constitution, shall be as valid against the United States under it, as under the Confederation;" which amounts to a constitutional ratification of the contracts respecting the debt, in the state in which they existed under the Confederation. And, resorting to that standard, there can be no doubt that the rights of assignees and original holders must be considered as equal. In exploding thus fully the principle of discrimination, the Secretary is happy in reflecting, that he is only the advocate of what has been already sanctioned by the formal and express authority of the Government of the Union, in these emphatic terms: "The remaining class of creditors," say Congress, in their circular addressed to the States, of the 26th April, 1783, "is composed of such of our fellow-citizens as originally lent to the public the use of their funds, or have since manifested most confidence in their country, by receiving transfers from the lenders; and partly of those whose property has been either advanced or assumed for the public service. To discriminate the merits of these several descriptions of creditors, would be a task equally unnecessary and invidious. • If the voice of humanity pleads more loudly in favor of some than of others, the voice of policy, no less than of justice, pleads in favor of all. A wise nation will never permit those who relieve the wants of their country, or who rely most

on its faith, its firmness, and its resources, when either of them is distrusted, to suffer by the event."

The Secretary, concluding that a discrimination between the different classes of creditors of the United States cannot, with propriety, be made, proceeds to examine whether a difference ought to be permitted to remain between them and another description of public creditors—those of the States, individually. The Secretary, after mature reflection on this point, entertains a full conviction, that an assumption of the debts of the particular States by the Union, and a like provision for them, as for those of the Union, will be a measure of sound policy and substantial justice.

It would, in the opinion of the Secretary, contribute, in an eminent degree, to an orderly, stable, and satisfactory arrangement of the national finances. Admitting, as ought to be the case, that a provision must be made, in some way or other, for the entire debt, it will follow that no greater revenues will be required, whether that provision be made wholly by the United States, or partly by them, and partly by the States separately.

The principal question, then, must be, whether such a provision cannot be more conveniently and effectually made, by one general plan, issuing from one authority, than by different plans, originating in different authorities? In the first case, there can be no competition for resources; in the last, there must be such a competition. The consequences of this, without the greatest caution on both sides, might be interfering regulations, and thence, collision and confusion. Particular branches of industry might also be oppressed by it. The most productive objects of revenue are not numerous. Either these must be wholly engrossed by one side, which might lessen the efficacy of the provisions by the other, or both must have recourse to the same objects, in different modes, which might occasion an accumulation upon them, beyond what they could properly bear. If this should not happen, the caution requisite to avoiding it, would prevent the revenue's deriving the full benefit of each object. The danger of interference and of excess, would be apt to impose restraints very unfriendly to the complete command of those

resources which are the most convenient, and to compel the having recourse to others, less eligible in themselves, and less agreeable to the community. The difficulty of an effectual command of the public resources, in case of separate provisions for the debt, may be seen in another, and, perhaps, more striking light. It would naturally happen that different States, from local considerations, would, in some instances, have recourse to different objects, in others to the same objects, in different degrees, for procuring the funds of which they stood in need. It is easy to conceive how this diversity would affect the aggregate revenue of the country. By the supposition, articles which yielded a full supply in some States, would yield nothing, or an insufficient product, in others. And hence, the public revenue would not derive the full benefit of those articles from State regulations; neither could the deficiencies be made good by those of the Union. It is a provision of the national Constitution, that "all duties, imposts, and excises, shall be uniform throughout the United States." And, as the General Government would be under a necessity, from motives of policy, of paying regard to the duty which may have been previously imposed upon any article, though but in a single State, it would be constrained either to refrain wholly from any further imposition upon such article, where it had been already rated as high as was proper, or to confine itself to the difference between the existing rate and what the article would reasonably bear. Thus the pre-occupancy of an article by a single State, would tend to arrest or abridge the impositions of the Union on that article. And as it is supposable, that a great variety of articles might be placed in this situation, by dissimilar arrangements of the particular States, it is evident that the aggregate revenue of the country would be likely to be very materially contracted by the plan of separate provisions.

If all the public creditors receive their dues from one source, distributed with an equal hand, their interest will be the same. And, having the same interests, they will unite in the support of the fiscal arrangements of the Government—as these, too, can be made with more convenience where there is no competition.

These circumstances combined, will insure to the revenue laws a more ready and more satisfactory execution.

If, on the contrary, there are distinct provisions, there will be distinct interests, drawing different ways. That union and concert of views, among the creditors, which in every Government is of great importance to their security, and to that of public credit, will not only not exist, but will be likely to give place to mutual jealousy and opposition. And from this cause, the operation of the systems which may be adopted, both by the particular States and by the Union, with relation to their respective debts, will be in danger of being counteracted.

There are several reasons, which render it probable that the situation of the State creditors would be worse than that of the creditors of the Union, if there be not a national assumption of the State debts. Of these it will be sufficient to mention two: one, that a principal branch of revenue is exclusively vested in the Union; the other, that a State must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regulation to the other States, and from the tendency of partial duties to injure its industry and commerce. Should the State creditors stand upon a less eligible footing than the others, it is unnatural to expect they would see with pleasure a provision for them. The influence which their dissatisfaction might have, could not but operate injuriously, both for the creditors and the credit of the United States. Hence it is even the interest of the creditors of the Union, that those of the individual States should be comprehended in a general provision. Any attempt to secure to the former either exclusive or peculiar advantages, would materially hazard their interests. Neither would it be just, that one class of public creditors should be more favored than the other. The objects for which both descriptions of the debt were contracted, are in the main the same. Indeed, a great part of the particular debts of the States has arisen from assumptions by them on account of the Union. And it is most equitable, that there should be the same measure of retribution for all. There is an objection, however, to an assumption of the State debts, which deserves particular notice. It

may be supposed, that it would increase the difficulty of an equitable settlement between them and the United States.

The principles of that settlement, whenever they shall be discussed, will require all the moderation and wisdom of the Government. In the opinion of the Secretary, that discussion, till further lights are obtained, would be premature. All, therefore, which he would now think advisable on the point in question, would be, that the amount of the debts assumed and provided for, should be charged to the respective States, to abide an eventual arrangement. This, the United States, as assignees to the creditors, would have an indisputable right to do. But, as it might be a satisfaction to the House to have before them some plan for the liquidation of accounts between the Union and its members, which, including the assumption of the State debts, would consist with equity, the Secretary will submit, in this place, such thoughts on the subject as have occurred to his own mind, or been suggested to him, most compatible, in his judgment, with the end proposed.

Let each State be charged with all the money advanced to it out of the treasury of the United States, liquidated according to the specie value at the time of each advance, with interest at six per cent.

Let it also be charged with the amount, in specie value, of all its securities which shall be assumed, with the interest upon them, to the time when interest shall become payable by the United States.

Let it be credited for all moneys paid, and articles furnished to the United States, and for all other expenditures during the war, either towards general or particular defence, whether authorized or unauthorized by the United States; the whole liquidated to specie value, and bearing an interest of six per cent. from the several times at which the several payments, advances, and expenditures, accrued.

And let all sums of continental money, now in the treasuries of the respective States, which shall be paid into the treasury of the United States, be credited at specie value.

Upon a statement of the accounts according to these princi-

ples, there can be little doubt that balances would appear in favor of all the States against the United States.

To equalize the contributions of the States, let each be then charged with its proportion of the aggregate of those balances, according to some equitable ratio, to be devised for that purpose.

If the contributions should be found disproportionate, the result of this adjustment would be, that some States would be creditors, some debtors, to the Union. Should this be the case—as it will be attended with less inconvenience to the United States to have to pay balances to, than to receive them from, the particular States—it may, perhaps, be practicable to effect the former by a second process, in the nature of a transfer of the amount of the debts of debtor States, to the credit of creditor States, observing the ratio by which the first apportionment shall have been made. This, whilst it would destroy the balances due from the former, would increase those due to the latter. These to be provided for by the United States, at a reasonable interest, but not to be transferable. The expediency of this second process must depend on a knowledge of the result of the first. If the inequalities should be too great, the arrangement may be impracticable, without unduly increasing the debt of the United States. But it is not likely that this would be the case. It is also to be remarked, that, though this second process might not, upon the principle of apportionment, bring the thing to the point aimed at, yet it may approach so nearly to it, as to avoid essentially the embarrassment of having considerable balances to collect from any of the States.

The whole of this arrangement to be under the superintendence of commissioners, vested with equitable discretion and final authority. The operation of the plan is exemplified in schedule A.

The general principle of it seems to be equitable: for it appears difficult to conceive a good reason why the expenses for the particular defence of a part, in a common war, should not be a common charge, as well as those incurred professedly for the general defence. The defence of each part is that of the whole; and unless all the expenditures are brought into a common mass,

the tendency must be to add to the calamities suffered, by being the most exposed to the ravages of war, an increase of burthens. This plan seems to be susceptible of no objection which does not belong to every other, that proceeds on the idea of a final adjustment of accounts. The difficulty of settling a ratio is common to all. This must, probably, either be sought for in the proportions of the requisitions during the war, or in the decision of commissioners, appointed with plenary power. The rule prescribed in the Constitution, with regard to representation and direct taxes, would evidently not be applicable to the situation of parties, during the period in question. The existing debt of the United States is excluded from the computation, as it ought to be, because it will be provided for out of a general fund. The only discussion of a preliminary kind which remains, relates to the distinctions of the debt into principal and interest. It is well known that the arrears of the latter bear a large proportion to the amount of the former. The immediate payment of these arrears is evidently impracticable; and a question arises, What ought to be done with them?

There is good reason to conclude, that the impressions of many are more favorable to the claim of the principal, than to that of the interest; at least so far as to produce an opinion, that an inferior provision might suffice for the latter.

But, to the Secretary, this opinion does not appear to be well founded. His investigations of the subject have led him to a conclusion, that the arrears of interest have pretensions at least equal to the principal.

The liquidated debt, traced to its origin, falls under two principal discriminations. One relating to loans, the other to services performed and articles supplied. The part arising from loans was at first made payable at fixed periods, which have long since elapsed, with an early option to lenders, either to receive back their money at the expiration of those periods, or to continue it at interest, till the whole amount of continental bills circulating should not exceed the sum in circulation at the time of each loan. This contingency, in the sense of the contract, never happened; and the presumption is, that the creditors preferred

continuing their money indefinitely at interest to receiving it in a depreciated and depreciating state.

The other parts of it were chiefly for objects which ought to have been paid for at the time, that is, when the services were performed, or the supplies furnished; and were not accompanied with any contract for interest.

But by different acts of Government and Administration, concurred in by the creditors, these parts of the debt have been converted into a capital, bearing an interest of six per cent. per annum, but without any definite period of redemption. A portion of the Loan Office debt has been exchanged for new securities of that import; and the whole of it seems to have acquired that character after the expiration of the periods prefixed for repayment. If this view of the subject be a just one, the capital of the debt of the United States may be considered in the light of an annuity at the rate of six per cent. per annum, redeemable at the pleasure of the Government by payment of the principal: for it seems to be a clear position, that, when a Government contracts a debt payable with interest, without any precise time being stipulated or understood for payment of the capital, that time is a matter of pure discretion with the Government, which is at liberty to consult its own convenience respecting it, taking care to pay the interest with punctuality.

Wherefore, as long as the United States should pay the interest of their debt, as it accrued, their creditors would have no right to demand the principal. But with regard to the arrears of interest, the case is different. These are now due, and those to whom they are due, have a right to claim immediate payment. To say that it would be impracticable to comply, would not vary the nature of the right. Nor can this idea of impracticability be honorably carried further than to justify the proposition of a new contract, upon the basis of a commutation of that right for an equivalent. This equivalent, too, ought to be a real and fair one. And what other fair equivalent can be imagined for the detention of money, but a reasonable interest? Or what can be the standard of that interest, but the market rate, or the rate which the Government pays in ordinary cases?

From this view of the matter, which appears to be the accurate and true one, it will follow, that the arrears of interest are entitled to an equal provision with the principal of the debt.

The result of the foregoing discussions is this: That there ought to be no discrimination between the original holders of the debt, and present possessors by purchase; that it is expedient there should be an assumption of the State debts by the Union; and that the arrears of interest should be provided for on an equal footing with the principal.

The next inquiry, in order, towards determining the nature of a proper provision, respects the quantum of the debt, and present rates of interest.

The debt of the Union is distinguishable into foreign and domestic.

The foreign debt, as stated in schedule B, amounts to, principal, - - -	$10,070,307 00
Bearing an interest of four, and partly an interest of five per cent.	
Arrears of interest to the last of December, 1789, - - - - -	1,640,071 62
Making, together, - -	$11,710,378 62

The domestic debt may be subdivided into liquidated and unliquidated; principal and interest.

The principal of the liquidated part, as stated in the schedule C, amounts to - - - -	$27,383,917 74
Bearing an interest of six per cent.	
The arrears of interest, as stated in the schedule D, to the end of 1790, amount to	13,030,168 20
Making, together, - -	$40,414,085 94

This includes all that has been paid in indents (except what has come into the treasury of the United States), which, in the opinion of the Secretary, can be considered in no other light than as interest due.

The unliquidated part of the domestic debt, which consists chiefly of the continental bills of credit, is not ascertained, but may be estimated at 2,000,000 dollars.

These several sums constitute the whole of the debt of the United States, amounting together to $54,124,464 56. That of the individual States is not equally well ascertained. The schedule E shows the extent to which it has been ascertained by returns, pursuant to the orders of the House of the 21st September last; but this not comprehending all the States, the residue must be estimated from less authentic information. The Secretary, however, presumes that the total amount may be safely stated at twenty-five millions of dollars, principal and interest. The present rate of interest in the States' debt is, in general, the same with that of the domestic debt of the Union.

On the supposition that the arrears of interest ought to be provided for, on the same terms with the principal, the annual amount of the interest, which, at the existing rates, would be payable on the entire mass of the public debt, would be—

On the foreign debt, computing the interest on the principal, as it stands, and allowing four per cent. on the arrears of interest, - - - -	$542,599 66
On the domestic debt, including that of States,	4,044,845 15
Making, together, - -	$4,587,444 81

The interesting problem now occurs: Is it in the power of the United States, consistently with those prudential considerations which ought not to be overlooked, to make a provision equal to the purpose of funding the whole debt, at the rates of interest which it now bears, in addition to the sum which will be necessary for the current service of the Government?

The Secretary will not say that such a provision would exceed the abilities of the country; but he is clearly of opinion that, to make it, would require the extension of taxation to a degree, and to objects, which the true interest of the public creditors forbids. It is therefore to be hoped, and even to be expected, that they will cheerfully concur in such modifications of their

claims, on fair and equitable principles, as will facilitate to the Government an arrangement substantial, durable, and satisfactory to the community. The importance of the last characteristic will strike every discerning mind. No plan, however flattering in appearance, to which it did not belong, could be truly entitled to confidence.

It will not be forgotten, that exigencies may, ere long, arise, which would call for resources greatly beyond what is now deemed sufficient for the current service; and that, should the faculties of the country be exhausted, or even strained, to provide for the public debt, there could be less reliance on the sacredness of the provision. But while the Secretary yields to the force of these considerations, he does not lose sight of those fundamental principles of good faith, which dictate that every practicable exertion ought to be made, scrupulously to fulfil the engagements of the Government; that no change in the rights of its creditors ought to be attempted without their voluntary consent; and that this consent ought to be voluntary in fact, as well as in name. Consequently, that every proposal of a change ought to be in the shape of an appeal to their reason and to their interest, not to their necessities. To this end it is requisite that a fair equivalent should be offered for what may be asked to be given up, and unquestionable security for the remainder. Without this, an alteration consistently with the credit and honor of the nation would be impracticable.

It remains to see what can be proposed in conformity to these views.

It has been remarked, that the capital of the debt of the Union is to be viewed in the light of an annuity, at the rate of six per cent. per annum, redeemable at the pleasure of the Government, by payment of the principal. And it will not be required that the arrears of interest should be considered in a more favorable light. The same character, in general, may be applied to the debts of the individual States.

This view of the subject admits, that the United States would have it in their power to avail themselves of any fall in the market rate of interest for reducing that of the debt.

This property of the debt is favorable to the public, unfavorable to the creditor, and may facilitate an arrangement for the reduction of interest, upon the basis of a fair equivalent.

Probabilities are always a rational ground of contract. The Secretary conceives, that there is good reason to believe, if effectual measures are taken to establish public credit, that the Government rate of interest in the United States will, in a very short time, fall at least as low as five per cent.; and that, in a period not exceeding twenty years, it will sink still lower, probably to four. There are two principal causes which will be likely to produce this effect; one, the low rate of interest in Europe; the other, the increase of the moneyed capital of the nation, by the funding of the public debt.

From three to four per cent. is deemed good interest in several parts of Europe. Even less is deemed so, in some places, and it is on the decline; the increasing plenty of money continually tending to lower it. It is presumable, that no country will be able to borrow of foreigners upon better terms than the United States, because none can, perhaps, afford so good security. Our situation exposes us, less than that of any other nation, to those casualties which are the chief causes of expense; our incumbrances, in proportion to our real means, are less, though these cannot immediately be brought so readily into action; and our progress in resources, from the early state of the country, and the immense tracts of unsettled territory, must necessarily exceed that of any other. The advantages of this situation have already engaged the attention of the European money lenders, particularly among the Dutch. And as they become better understood, they will have the greater influence. Hence, as large a proportion of the cash of Europe as may be wanted, will be, in a certain sense, in our market, for the use of Government. And this will naturally have the effect of a reduction of the rate of interest, not indeed to the level of the places which send their money to market, but to something much nearer to it than our present rate.

The influence which the funding of the debt is calculated to have in lowering interest, has been already remarked and ex-

plained. It is hardly possible that it should not be materially affected by such an increase of the moneyed capital of the nation as would result from the proper funding of seventy millions of dollars. But the probability of a decrease in the rate of interest acquires confirmation from facts which existed prior to the Revolution. It is well known that, in some of the States, money might, with facility, be borrowed, on good security, at five per cent.; and, not unfrequently, even at less.

The most enlightened of the public creditors will be most sensible of the justness of this view of the subject, and of the propriety of the use which will be made of it. The Secretary, in pursuance of it, will assume, as a probability sufficiently great to be a ground of calculation, both on the part of the Government and of its creditors, that the interest of money in the United States will, in five years, fall to five per cent., and, in twenty, to four. The probability, in the mind of the Secretary, is rather that the fall may be more rapid and more considerable; but he prefers a mean, as most likely to engage the assent of the creditors, and more equitable in itself; because it is predicated on probabilities, which may err on one side, as well as on the other.

Premising these things, the Secretary submits to the House the expediency of proposing a loan, to the full amount of the debt, as well of the particular States as of the Union, upon the following terms:

First. That, for every hundred dollars subscribed, payable in the debt (as well interest as principal), the subscriber be entitled, at his option, either to have two-thirds funded at an annuity or yearly interest of six per cent., redeemable at the pleasure of the Government, by payment of the principal, and to receive the other third in lands in the western territory, at the rate of twenty cents per acre; or to have the whole sum funded at an annuity or yearly interest of four per cent., irredeemable by any payment exceeding five dollars per annum, on account both of principal and interest, and to receive, as a compensation for the reduction of interest, fifteen dollars and eighty cents, payable in lands, as in the preceding case; or, to have sixty-six dollars and two-thirds of a dollar funded immediately, at an annuity or yearly

interest of six per cent., irredeemable by any payment exceeding four dollars and two-thirds of a dollar per annum, on account both of principal and interest, and to have, at the end of ten years, twenty-six dollars and eighty-eight cents funded at the like interest and rate of redemption; or to have an annuity, for the remainder of life, upon the contingency of fixing to a given age, not less distant than ten years, computing interest at four per cent.; or to have an annuity, for the remainder of life, upon the contingency of the survivorship of the youngest of two persons, computing interest in this case also at four per cent.

In addition to the foregoing loan, payable wholly in the debt, the Secretary would propose that one should be opened for ten millions of dollars, on the following plan:

That, for every hundred dollars subscribed, payable one-half in specie, and the other half in debt (as well principal as interest), the subscriber be entitled to an annuity or yearly interest of five per cent., irredeemable by any payment exceeding six dollars per annum, on account both of principal and interest.

The principles and operation of these different plans may now require explanation.

The first is simply a proposition for paying one-third of the debt in land, and funding the other two-thirds at the existing rate of interest, and upon the same terms of redemption to which it is at present subject.

Here is no conjecture, no calculation of probabilities. The creditor is offered the advantage of making his interest principal, and he is asked to facilitate to the Government an effectual provision for his demands, by accepting a third part of them in land, at a fair valuation.

The general price at which the Western lands have been heretofore sold, has been a dollar per acre in public securities; but, at the time the principal purchases were made, these securities were worth, in the market, less than three shillings in the pound. The nominal price, therefore, would not be the proper standard, under present circumstances, nor would the precise specie value then given be a just rule; because, as the payments were to be made by instalments, and the securities were, at the

times of the purchases, extremely low, the probability of a moderate rise must be presumed to have been taken into the account.

Twenty cents, therefore, seems to bear an equitable proportion to the two considerations of value at the time and likelihood of increase.

It will be understood that, upon this plan, the public retains the advantage of availing itself of any fall in the market rate of interest, for reducing that upon the debt; which is perfectly just, as no present sacrifice, either in the quantum of the principal, or in the rate of interest, is required from the creditor.

The inducement to the measure is, the payment of one-third of the debt in land. The second plan is grounded upon the supposition that interest, in five years, will fall to five per cent.; in fifteen more, to four. As the capital remains entire, but bearing an interest of four per cent. only, compensation is to be made to the creditor for the interest of two per cent. per annum, for five years, and of one per cent. per annum, for fifteen years, to commence at the distance of five years. The present value of these two sums or annuities, computed according to the terms of the supposition, is, by strict calculation, fifteen dollars and the seven hundred and ninety-two thousandth part of a dollar—a fraction less than the sum proposed.

The inducement of the measure here, is the reduction of interest to a rate more within the compass of a convenient provision, and the payment of the compensation in lands.

The inducements to the individual, are, the accommodation afforded to the public; the high probability of a complete equivalent; the chance even of gain, should the rate of interest fall, either more speedily, or in a greater degree than the calculation supposes. Should it fall to five per cent. sooner than five years; should it fall lower than five, before the additional fifteen were expired; or, should it fall below four, previous to the payment of the debt; there would be, in each case, an absolute profit to the creditor. As his capital will remain entire, the value of it will increase with every decrease of the rate of interest.

The third plan proceeds upon the like supposition of a suc-

cessive fall in the rate of interest, and upon that supposition offers an equivalent to the creditor: One hundred dollars, bearing an interest of six per cent. for five years; or five per cent. for fifteen years; and thenceforth, of four per cent. (these being the successive rates of interest in the market), is equal to a capital of $122.510725 parts, bearing an interest of four per cent., which, converted into a capital, bearing a fixed rate of interest of six per cent., is equal to $81.6738166 parts.

The difference between sixty-six dollars and two-thirds of a dollar (the sum to be funded immediately), and this last sum, is $15.0172 parts, which, at six per cent. per annum, amounts, at the end of ten years, to $26.8755 parts—the sum to be funded at the expiration of that period. It ought, however, to be acknowledged that this calculation does not make allowance for the principle of redemption, which the plan itself includes; upon which principle, the equivalent, in a capital of six per cent., would be, by strict calculation, $87.50766 parts.

But there are two considerations which induce the Secretary to think that the one proposed would operate more equitably than this: One is, that it may not be very early in the power of the United States to avail themselves of the right of redemption reserved in the plan; the other is, that with regard to the part to be funded at the end of ten years, the principle of redemption is suspended during that time, and the full interest of six per cent. goes on improving at the same rate; which, for the last five years, will exceed the market rate of interest, according to the supposition.

The equivalent is regulated in this plan, by the circumstance of fixing the rate of interest higher than it is supposed it will continue to be in the market, permitting only a gradual discharge of the debt, in an established proportion, and consequently preventing advantage being taken of any decrease of interest below the stipulated rate.

Thus the true value of eighty-one dollars and sixty-seven cents, the capital proposed, considered as a perpetuity, and bearing six per cent. interest, when the market rate of interest was five per cent., would be a small fraction more than ninety-eight

dollars; when it was four per cent. would be one hundred and twenty-two dollars and fifty-one cents. But the proposed capital being subject to gradual redemption, it is evident that its value, in each case, would be somewhat less. Yet, from this may be perceived the manner in which a less capital, at a fixed rate of interest, becomes an equivalent for a greater capital, at a rate liable to variation and diminution.

It is presumable that those creditors who do not entertain a favorable opinion of property in Western lands, will give a preference to this last mode of modelling the debt. The Secretary is sincere in affirming, that, in his opinion, it will be likely to prove, to the full, as beneficial to the creditor, as a provision for his debt upon its present terms.

It is not intended, in either case, to oblige the Government to redeem in the proportion specified, but to secure to it the right of doing so, to avoid the inconvenience of a perpetuity.

The fourth and fifth plans abandon the supposition which is the basis of the two preceding ones, and offer only four per cent. throughout.

The reason of this is, that the payment, being deferred, there will be an accumulation of compound interest, in the intermediate period, against the public, which, without a very provident administration, would turn to its detriment, and the suspension of the burthen would be too apt to beget a relaxation of efforts in the mean time. The measure, therefore, its object being temporary accommodation, could only be advisable upon a moderate rate of interest.

With regard to individuals, the inducement will be sufficient at four per cent. There is no disposition of money, in private loans, making allowance for the usual delays and casualties, which would be equally beneficial as a future provision.

A hundred dollars advanced upon the life of a person of eleven years old, would produce an annuity* of—

	Dolls. Parts.
If commencing at twenty-one, of - - -	10.346
If commencing at thirty-one, of - - -	18.803

* See Schedule F.

	Dolls. Parts.
If commencing at forty-one, of - - - -	37.286
If commencing at fifty-one, of - - - -	78.580

The same sum advanced upon the chance of the survivorship of the youngest of two lives, one of the persons being twenty-five, the other thirty years old, would produce, if the youngest of the two should survive, an annuity* for the remainder of life, of twenty-three dollars, five hundred and fifty-six parts.

From these instances may readily be discerned the advantages which these deferred annuities afford, for securing a comfortable provision for the evening of life, or for wives who survive their husbands.

The sixth plan also relinquishes the supposition, which is the foundation of the second and third, and offers a higher rate of interest, upon similar terms of redemption, for the consideration of the payment of one half of the loan in specie. This is a plan highly advantageous to the creditors who may be able to make that payment, while the specie itself could be applied in purchases of the debt, upon terms which would fully indemnify the public for the increased interest.

It is not improbable that foreign holders of the domestic debt may embrace this as a desirable arrangement.

As an auxiliary expedient, and by way of experiment, the Secretary would propose a loan upon the principles of a tontine†—

To consist of six classes, composed respectively of persons of the following ages:

First class, of those of 20 years and under.

Second class, of those above 20, and not exceeding 30.

Third class, of those above 30, and not exceeding 40.

Fourth class, of those above 40, and not exceeding 50.

Fifth class, of those above 50, and not exceeding 60.

Sixth class, of those above 60.

Each share to be two hundred dollars; the number of shares, in each class, to be indefinite. Persons to be at liberty to sub-

* See Table, Schedule G. † See Table, Schedule H.

scribe on their own lives, or on those of others nominated by them.

The annuity upon a share in the first class, to be	$8 40
Upon a share in the second,	8 65
Upon a share in the third,	9 00
Upon a share in the fourth	9 65
Upon a share in the fifth,	10 70
Upon a share in the sixth,	12 80

The annuities of those who die, to be equally divided among the survivors, until four-fifths shall be dead, when the principle of survivorship shall cease, and each annuitant thenceforth enjoy his dividend as a several annuity during the life upon which it shall depend.

These annuities are calculated on the best life in each class, and at a rate of interest of four per cent., with some deductions in favor of the public. To the advantages which these circumstances present, the cessation of the right of survivorship, on the death of four-fifths of the annuitants, will be no inconsiderable addition.

The inducements to individuals, are, a competent interest for their money from the outset, secured for life, and prospect of continual increase, and even of a large profit to those whose fortune it is to survive their associates.

It will have appeared, that, in all the proposed loans, the Secretary has contemplated the putting the interest upon the same footing with the principal. That on the debt of the United States, he would have computed to the last of the present year; that on the debt of the particular States, to the last of the year 1791: the reason for which distinction will be seen hereafter.

In order to keep up a due circulation of money, it will be expedient that the interest of the debt should be paid quarter yearly. This regulation will, at the same time, conduce to the advantage of the public creditors, giving them, in fact, by the anticipation of payment, a higher rate of interest; which may, with propriety, be taken into the estimate of the compensation to be made to them. Six per cent. per annum, paid in this mode, will truly be worth six dollars, and the one hundred and thirty-

five thousandth part of a dollar, computing the market interest at the same rate.

The Secretary thinks it advisable to hold out various propositions, all of them compatible with the public interest, because it is, in his opinion, of the greatest consequence that the debt should, with the consent of the creditors, be remoulded into such a shape as will bring the expenditure of the nation to a level with its income. Till this shall be accomplished, the finances of the United States will never wear a proper countenance. Arrears of interest, continually accruing, will be as continual a monument, either of inability or of ill faith, and will not cease to have an evil influence on public credit. In nothing are appearances of greater moment than in whatever regards credit. Opinion is the soul of it; and this is effected by appearances as well as realities. By offering an option to the creditors between a number of plans, the change meditated will be more likely to be accomplished. Different tempers will be governed by different views of the subject.

But while the Secretary would endeavor to effect a change in the form of the debt by new loans, in order to render it more susceptible of an adequate provision, he would not think it proper to aim at procuring the concurrence of the creditors by operating upon their necessities.

Hence, whatever surplus of revenue might remain, after satisfying the interest of the new loans and the demand for the current service, ought to be divided among those creditors, if any, who may not think fit to subscribe to them. But for this purpose, under the circumstance of depending propositions, a temporary appropriation will be most advisable, and the sum must be limited to four per cent. as the revenues will only be calculated to produce in that proportion to the entire debt.

The Secretary confides, for the success of the propositions to be made, on the goodness of the reasons upon which they rest; on the fairness of the equivalent to be offered in each case; on the discernment of the creditors, of their true interest; and on their disposition to facilitate the arrangements of the Government, and to render them satisfactory to the community.

The remaining part of the task to be performed is to take a view of the means of providing for the debt, according to the modification of it which it is proposed.

On this point the Secretary premises, that, in his opinion, the funds to be established ought, for the present, to be confined to the existing debt of the United States; as well because the progressive augmentation of the revenue will be most convenient, as because the consent of the State creditors is necessary to the assumption contemplated; and though the obtaining of that consent may be inferred with great assurance, from their obvious interest to give it, yet, till it shall be obtained, an actual provision for the debt would be premature. Taxes could not, with propriety, be laid for an object which depended on such a contingency.

All that ought now to be done respecting it, is to put the matter in an effectual train for a future provision. For which purpose the Secretary will, in the course of this report, submit such propositions as appear to him advisable.

The Secretary now proceeds to a consideration of the necessary funds.

It has been stated that the debt of the United States consists of the foreign debt, amounting, with arrears of interest, to - - - - -	$11,710,378 62
And the domestic debt, amounting, with like arrears, computed to the end of the year 1790, to - - - - - -	42,414,085 94
Making, together,	$54,124,464 56

The interest on the domestic debt is computed to the end of this year, because the details of carrying any plan into execution, will exhaust the year.

The annual interest of the foreign debt has been stated at - - - - - -	$542,599 66
And the interest on the domestic debt, at four per cent., would amount to - -	1,696,563 43
Making, together,	$2,239,163 09

Thus, to pay the interest of the foreign debt, and to pay four per cent. on the whole of the domestic debt, principal and interest, forming a new capital, will require a yearly income of $2,239,163 09—the sum which, in the opinion of the Secretary, ought now to be provided, in addition to what the current service will require.

For, though the rate of interest proposed by the third plan, exceeds four per cent. on the whole debt, and the annuities on the tontine will also exceed four per cent. on the sums which may be subscribed; yet, as the actual provision for a part is in the former case suspended, as measures for reducing the debt, by purchases, may be advantageously pursued, and as the payment of the deferred annuities will of course be postponed, four per cent. on the whole will be a sufficient provision.

With regard to the instalments of the foreign debt, these, in the opinion of the Secretary, ought to be paid by new loans abroad. Could funds be conveniently spared from other exigencies, for paying them, the United States could illy bear the drain of cash, at the present juncture, which the measure would be likely to occasion.

But to the sum which has been stated for payment of the interest, must be added a provision for the current service. This the Secretary estimates at six hundred thousand dollars,* making, with the amount of the interest, two millions eight hundred and thirty-nine thousand one hundred and sixty-three dollars and nine cents.

This sum may, in the opinion of the Secretary, be obtained from the present duties on imports and tonnage, with the additions which, without any possible disadvantage, either to trade or agriculture, may be made on wines, spirits (including those distilled within the United States), teas and coffee.

The Secretary conceives that it will be sound policy to carry the duties, upon articles of this kind, as high as will be consistent with the practicability of a safe collection. This will lessen the necessity, both of having recourse to direct taxation, and of accu-

* See Schedule I.

mulating duties, where they would be more inconvenient to trade, and upon objects which are more to be regarded as necessaries of life.

That the articles which have been enumerated, will, better than most others, bear high duties, can hardly be a question. They are all of them in reality luxuries; the greatest part of them foreign luxuries; some of them, in the excess in which they are used, pernicious luxuries. And there is, perhaps, none of them, which is not consumed in so great abundance as may justly denominate it a source of national extravagance and impoverishment. The consumption of ardent spirits, particularly, no doubt very much on account of their cheapness, is carried to an extreme which is truly to be regretted, as well in regard to the health and morals, as to the economy of the community.

Should the increase of duties tend to a decrease of the consumption of those articles, the effect would be, in every respect, desirable. The saving which it would occasion, would leave individuals more at their ease, and promote a favorable balance of trade. As far as this decrease might be applicable to distilled spirits, it would encourage the substitution of cider and malt liquors, benefit agriculture, and open a new and productive source of revenue.

It is not, however, probable, that this decrease would be in a degree which would frustrate the expected benefit to the revenue, from raising the duties. Experience has shown, that luxuries of every kind lay the strongest hold on the attachments of mankind, which, especially when confirmed by habit, are not easily alienated from them.

The same fact affords a security to the merchant, that he is not likely to be prejudiced by considerable duties on such articles. They will usually command a proportional price. The chief things, in this view, to be attended to, are, that the terms of payment be so regulated as not to require inconvenient advances, and that the mode of collection be secure.

To other reasons, which plead for carrying the duties, upon the articles which have been mentioned, to as great an extent as

they will bear, may be aded these: that they are of a nature, from their extensive consumption, to be very productive, and are amongst the most difficult objects of illicit introduction.

Invited by so many motives to make the best use of the resource which these articles afford, the essential inquiry is, in what mode can the duties upon them be most effectually collected?

With regard to such of them as will be brought from abroad, a duty on importation recommends itself by two leading considerations: one is, that, meeting the object at its first entrance into the country, the collection is drawn to a point, and, so far, simplified; the other is, that it avoids the possibility of interference between the regulations of the United States and those of the particular States.

But a duty, the precautions for the collection of which, should terminate with the landing of the goods, as is essentially the case in the existing system, could not, with safety, be carried to the extent which is contemplated.

In that system, the evasion of the duty depends, as it were, on a single risk. To land the goods in defiance of the vigilance of the officers of the customs, is almost the sole difficulty. No future pursuit is materially to be apprehended. And where the inducement is equivalent to the risk, there will be found too many who are willing to run it. Consequently, there will be extensive frauds of the revenue, against which, the utmost rigor of penal laws has proved, as often as it has been tried, an ineffectual guard.

The only expedient which has been discovered, for conciliating high duties with a safe collection, is, the establishment of a *second*, or interior scrutiny.

By pursuing the article, from its importation, into the hands of the dealers in it, the risk of detection is so greatly enhanced, that few, in comparison, will venture to incur it. Indeed, every dealer, who is not himself the fraudulent importer, then becomes, in some sort, a sentinel upon him.

The introduction of a system founded on this principle, in some shape or other, is, in the opinion of the Secretary, essential

to the efficacy of every attempt to render the revenues of the United States equal to their exigencies, their safety, their prosperity, their honor.

Nor is it less essential to the interest of the honest and fair trader. It might even be added, that every individual citizen, besides his share in the general weal, has a particular interest in it. The practice of smuggling never fails to have one of two effects, and sometime unites them both. Either the smuggler undersells the fair trader, as, by saving the *duty*, he can afford to do, and makes *it* a charge upon him; or he sells at the increased price occasioned by the duty, and defrauds every man who buys of him, of his share of what the public ought to receive; for, it is evident, that the loss falls ultimately upon the citizens, who must be charged with other taxes, to make good the deficiency, and supply the wants of the State.

The Secretary will not presume that the plan which he shall submit to the consideration of the House is the best that could be devised. But it is the one which has appeared to him freest from objections, of any that has occurred, of equal efficacy. He acknowledges, too, that it is susceptible of improvement, by other precautions in favor of the revenue, which he did not think it expedient to add. The chief outlines of the plan are not original; but it is no ill recommendation of it, that it has been tried with success.

The Secretary accordingly proposes—

That the duties heretofore laid upon wines, distilled spirits, teas, and coffee, should, after the last day of May next, cease; and that, instead of them, the following duties be laid:

Upon every gallon of Madeira wine, the quality of London particular, thirty-five cents.

Upon every gallon of other Madeira wine, thirty cents.

Upon every gallon of Sherry, twenty-five cents.

Upon every gallon of other wine, twenty cents.

Upon every gallon of distilled spirits, more than ten per cent. below proof, according to Dicas's hydrometer, twenty cents.

Upon every gallon of those spirits, under five, and not more

than ten per cent. below proof, according to the same hydrometer, twenty-one cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, twenty-two cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, twenty-five cents.

Upon every gallon of those spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, thirty cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, forty cents.

Upon every pound of Hyson tea, forty cents.

Upon every pound of other green tea, twenty-four cents.

Upon every pound of Souchong and other black teas, except Bohea, twenty cents.

Upon every pound of Bohea tea, twelve cents.

Upon every pound of coffee, five cents.

That, upon spirits distilled within the United States, from molasses, sugar, or other foreign materials, there be paid—

Upon every gallon of those spirits, more than ten per cent. below proof, according to Dicas's hydrometer, eleven cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, twelve cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, thirteen cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, fifteen cents.

Upon every gallon of those spirits, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, twenty cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, thirty cents.

That, upon spirits distilled within the United States, in any city, town, or village, from materials of the growth or production of the United States, there be paid—

Upon every gallon of those spirits, more than ten per cent. below proof, according to Dicas's hydrometer, nine cents.

Upon every gallon of those spirits, under five, and not more than ten per cent. below proof, according to the same hydrometer, ten cents.

Upon every gallon of those spirits, of proof, and not more than five per cent. below proof, according to the same hydrometer, eleven cents.

Upon every gallon of those spirits, above proof, but not exceeding twenty per cent. according to the same hydrometer, thirteen cents.

Upon every gallon of those spirts, more than twenty, and not more than forty per cent. above proof, according to the same hydrometer, seventeen cents.

Upon every gallon of those spirits, more than forty per cent. above proof, according to the same hydrometer, twenty-five cents.

That, upon all stills employed in distilling spirits from materials of the growth or production of the United States, in any other place than a city, town, or village, there be paid the yearly sum of sixty cents, for every gallon, English wine measure, of the capacity of each still, including its head.

The Secretary does not distribute the duties on teas into different classes, as has been done in the impost act of the last session; beeause this distribution depends on considerations of commercial policy, not of revenue. It is sufficient, therefore, for him, to remark, that the rates above specified are proposed with reference to the lowest class.

The Secretary, conceiving that he could not convey an accurate idea of the plan contemplated by him, for the collection of these duties, in any mode so effectual as by the draught of a bill for the purpose, begs leave, respectfully, to refer the House to that which will be found annexed to this report, relatively to the article of distilled spirits; and, which, for the better expla-

nation of some of its parts, is accompanied with marginal remarks.

It would be the intention of the Secretary that the duty on wines should be collected upon precisely the same plan with that on imported spirits.

But, with regard to teas and coffee, the Secretary is inclined to think, that it will be expedient, till experience shall evince the propriety of going further, to exclude the ordinary right of the officers to visit and inspect the places in which those articles may be kept. The other precautions, without this, will afford, though not complete, considerable security.

It will not escape the observation of the House, that the Secretary, in the plan submitted, has taken the most scrupulous care, that those citizens upon whom it is immediately to operate, be secured from every species of injury by the misconduct of the officers to be employed. There are not only strong guards against their being guilty of abuses of authority; they are not only punishable, criminally, for any they may commit, and made answerable in damages, to individuals, for whatever prejudice these may sustain by their acts or neglects; but, even where seizures are made with probable cause, if there be an acquittal of the articles seized, a compensation to the proprietors, for the injury their property may suffer, and even for its detention, is to be made out of the public treasury.

So solicitous, indeed, has the Secretary been, to obviate every appearance of hardship, that he has even included a compensation to the dealers, for their agency in aid of the revenue.

With all these precautions to manifest a spirit of moderation and justice, on the part of the Government; and, when it is considered that the object of the proposed system is the firm establishment of public credit; that, on this depends the character, security, and prosperity of the nation; that advantages, in every light important, may be expected to result from it; that the immediate operation of it will be upon an enlightened class of citizens, zealously devoted to good government, and to a liberal and enlarged policy; and that it is peculiarly the interest of the virtuous part of them to co-operate in whatever will restrain

the spirit of illicit traffic; there will be perceived to exist the justest ground of confidence, that the plan, if eligible in itself, will experience the cheerful and prompt acquiescence of the community.

The Secretary computes the net product of the duties proposed in this report, at about one million seven hundred and three thousand four hundred dollars, according to the estimate in schedule K, which, if near the truth, will, together with the probable product of the duties on imposts and tonnage, complete the sum required.

But, it will readily occur, that, in so unexplored a field, there must be a considerable degree of uncertainty in the data; and that, on this account, it will be prudent to have an auxiliary resource for the first year in which the interest will become payable, that there may be no possibility of disappointment to the public creditors, ere there may be an opportunity of providing for any deficiency which the experiment may discover. This will, accordingly, be attended to.

The proper appropriation of the funds provided, and to be provided, seems next to offer itself to consideration.

On this head, the Secretary would propose, that the duties on distilled spirits should be applied, in the first instance, to the payment of the interest on the foreign debt.

That, reserving out of the residue of those duties, an annual sum of six hundred thousand dollars, for the current service of the United States, the surplus, together with the product of the other duties, be applied to the payment of the interest on the new loan, by an appropriation coextensive with the duration of the debt.

And that, if any part of the debt should remain unsubscribed, the excess of the revenue be divided among the creditors of the unsubscribed part, by a temporary disposition; with a limitation, however, to four per cent.

It will hardly have been unnoticed that the Secretary has been, thus far, silent on the subject of the Post Office. The reason is, that he has had in view the application of the revenue, arising from that source, to the purpose of a sinking fund. The

Postmaster General gives it as his opinion, that the immediate product of it, upon a proper arrangement, would probably be not less than one hundred thousand dollars. And, from its nature, with good management, it must be a growing, and will be likely to become a considerable fund. The Postmaster General is now engaged in preparing a plan which will be the foundation of a proposition for a new arrangement of the establishment. This, and some other points relative to the subject referred to the Secretary, he begs leave to reserve for a future report.

Persuaded, as the Secretary is, that the proper funding of the present debt will render it a national blessing, yet he is so far from acceding to the position, in the latitude in which it is sometimes laid down, that "public debts are public benefits"—a position inviting to prodigality, and liable to dangerous abuse—that he ardently wishes to see it incorporated, as a fundamental maxim, in the system of public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment. This he regards as the true secret for rendering public credit immortal. And he presumes that it is difficult to conceive a situation in which there may not be an adherence to the maxim. At least, he feels an unfeigned solicitude that this may be attempted by the United States, and that they may commence their measures for the establishment of credit with the observance of it.

Under this impression, the Secretary proposes that the net product of the Post Office, to a sum not exceeding one million of dollars, be vested in commissioners, to consist of the Vice-President of the United States, or President of the Senate, the Speaker of the House of Representatives, the Chief Justice, Secretary of the Treasury, and Attorney General of the United States, for the time being, in trust; to be applied by them, or any three of them, to the discharge of the existing public debt, either by purchases of stock in the market, or by payments on account of the principal, as shall appear to them most advisable, in conformity to public engagements; to continue so vested, until the whole of the debt shall be discharged.

As an additional expedient for effecting a reduction of the

debt, and for other purposes, which will be mentioned, the Secretary would further propose, that the same commissioners be authorized, with the approbation of the President of the United States, to borrow, on their credit, a sum not exceeding twelve millions of dollars, to be applied—

First. To the payments of the interest and instalments of the foreign debt, to the end of the present year, which will require 3,491,923 dollars and 46 cents.

Secondly. To the payment of any deficiency which may happen in the product of the funds provided for paying the interest of the domestic debt.

Thirdly. To the effecting a change in the form of such part of the foreign debt as bears an interest of five per cent. It is conceived that, for this purpose, a new loan, at a lower interest, may be combined with other expedients. The remainder of this part of the debt, after paying the instalments which will accrue in the course of 1790, will be 3,888,888 dollars and 81 cents.

Fourthly. To the purchase of the public debt, at the price it shall bear in the market, while it continues below its true value. This measure, which would be, in the opinion of the Secretary, highly dishonorable to the Government, if it were to precede a provision for funding the debt, would become altogether unexceptionable after that had been made. Its effect would be in favor of the public creditors, as it would tend to raise the value of stock; and all the difference between its true value and the actual price would be so much clear gain to the public. The payment of foreign interest on the capital to be borrowed for this purpose, should that be a necessary consequence, would not, in the judgment of the Secretary, be a good objection to the measure. The saving, by the operation, would be, itself, a sufficient indemnity; and the employment of that capital, in a country situated like this, would much more than compensate for it. Besides, if the Government does not undertake this operation, the same inconvenience which the objection in question supposes, would happen in another way, with a circumstance of aggravation. As long, at least, as the debt shall continue below its proper value, it will be an object of speculation to foreigners,

who will not only receive the interest upon what they purchase, and remit it abroad, as in the case of the loan, but will reap the additional profit of the difference in value. By the Government's entering into competition with them, it will not only reap a part of the profit itself, but will contract the extent, and lessen the extra profit of foreign purchasers. That competition will accelerate the rise of stock; and whatever greater rate this obliges foreigners to pay for what they purchase, is so much clear saving to the nation. In the opinion of the Secretary, and contrary to an idea which is not without patrons, it ought to be the policy of the Government to raise the value of stock to its true standard, as fast as possible. When it arrives to that point, foreign speculations (which, till then, must be deemed pernicious, further than as they serve to bring it to that point) will become beneficial. Their money, laid out in this country upon our agriculture, commerce, and manufactures, will produce much more to us than the income they will receive from it.

The Secretary contemplates the application of this money through the medium of a national bank, for which, with the permission of the House, he will submit a plan in the course of the session.

The Secretary now proceeds, in the last place, to offer to the consideration of the House his ideas of the steps which ought, at the present session, to be taken towards the assumption of the State debts.

These are, briefly, that concurrent resolutions of the two Houses, with the approbation of the President, be entered into, declaring, in substance—

That the United States do assume, and will, at the first session in the year 1791, provide, on the same terms with the present debt of the United States, for all such parts of the debts of the respective States, or any of them, as shall, prior to the first day of January, in the said year, 1791, be subscribed towards a loan to the United States, upon the principles of either of the plans, which shall have been adopted by them, for obtaining a re-loan of their present debt.

Provided, that the provision to be made, as aforesaid, shall

be suspended, with respect to the debt of any State, which may have exchanged the securities of the United States for others issued by itself, until the whole of the said securities shall either be re-exchanged or surrendered to the United States.

And provided, also, that the interest upon the debt assumed, be computed to the end of the year 1791; and that the interest to be paid by the United States, commence on the first day of January, 1792.

That the amount of the debt of each State, so assumed and provided for, be charged to such State in account with the United States, upon the same principles upon which it shall be lent to the United States.

That subscriptions be opened for receiving loans of the said debts, at the same times and places, and under the like regulations, as shall have been prescribed in relation to the debt of the United States.

The Secretary has now completed the objects which he proposed to himself to comprise in the present report. He has, for the most part, omitted details, as well to avoid fatiguing the attention of the House, as because more time would have been desirable, even to digest the general principles of the plan. If these should be found right, the particular modifications will readily suggest themselves in the progress of the work.

The Secretary, in the views which have directed his pursuit of the subject, has been influenced, in the first place, by the consideration, that his duty, from the very terms of the resolution of the House, obliged him to propose what appeared to him an adequate provision for the support of the public credit, adapted at the same time to the real circumstances of the United States; and, in the next, by the reflection, that measures which will not bear the test of future unbiassed examination, can neither be productive of individual reputation, nor (which is of much greater consequence) public honor or advantage.

Deeply impressed, as the Secretary is, with a full and deliberate conviction that the establishment of the public credit, upon the basis of a satisfactory provision for the public debt, is, under the present circumstances of this country, the true desideratum

towards relief from individual and national embarrassments; that, without it, these embarrassments will be likely to press still more severely upon the community; he cannot but indulge an anxious wish, that an effectual plan for that purpose may, during the present session, be the result of the united wisdom of the Legislature.

He is fully convinced that it is of the greatest importance that no further delay should attend the making of the requisite provision: not only because it will give a better impression of the good faith of the country, and will bring earlier relief to the creditors, both which circumstances are of great moment to public credit, but because the advantages to the community, from raising stock, as speedily as possible, to its natural value, will be incomparably greater than any that can result from its continuance below that standard. No profit which could be derived from purchases in the market, on account of the Government, to any practicable extent, would be an equivalent for the loss which would be sustained by the purchases of foreigners at a low value. Not to repeat, that governmental purchases, to be honorable, ought to be preceded by a provision. Delay, by disseminating doubt, would sink the price of stock; and, as the temptation to foreign speculations, from the lowness of the price, would be too great to be neglected, millions would probably be lost to the United States.

All of which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

To this Report were appended several schedules.

A. Being a supposititious statement of accounts between the United States and individual States.

B. A general statement of the Foreign Loans, showing, in abstract, the capital sums borrowed, and the arrearages of interest, to the 31st of December, 1789.

C. Abstract of the Liquidated and Loan Office Debt of the United States, on the 3d of March, 1789.

D. An estimate of all the interest which will accrue on the Domestic Debt of the United States, from its formation to the 31st of December, 1790; of such partial payments as have been made on account thereof, and of the balance which will remain to be provided for, to pay up the interest fully to that period.

E. Abstract of the public debt of the States (therein) mentioned agreeably to accounts transmitted in pursuance of the resolutions of the House of Representatives of the 21st of September, 1789.

F. Table, showing the annuity which a person of a given age would be entitled to, during life, from the time he should arrive at a given age, upon the present payment of a hundred dollars, computing interest at four per cent.

G. Table, showing what annuity would be enjoyed by the survivor of only two persons, of certain ages, for the remainder of life, after the determination of the life in expectation, upon the present payment of one hundred dollars, computing interest at four per cent. per annum, and the duration of life, according to Dr. Halley's tables.

H. Table for a Tontine of Six Classes, the number of lives in each class being indefinite, calculated on a payment of two hundred dollars by each subscriber, and at a rate of interest of four per cent. The computation on the best life in each Class, and on the supposition that the subscribers to each Class will not be less than the respective numbers specified in the first column.

I. General Estimate for the services of the current year.

K. Estimate of the probable product of the funds proposed for funding the debt, and providing for the current service of the United States, including the present duties on imports and tonnage.—*State Papers—Finance*, vol. i. pp. 26–37.

REMISSION OF FORFEITURES.

Communicated to the House of Representatives, January 19, 1790.

Treasury Department, January 19th, 1790.

In obedience to the order of the House of Representatives, of the 11th instant, referring to the Secretary of the Treasury the petition of Christopher Sadler, the said Secretary most respectfully reports:

That, except the letter from the Collector of the district of Boston and Charlestown, accompanying the petition, there is no evidence immediately within reach, respecting the ground of the application for relief.

That, though the letter is entirely satisfactory to the mind of the Secretary, that the affair is of a nature to entitle the petitioner to relief, yet, he does not consider it as such a document, as, in point of precedent, would justify the interposition of the Leg-

islature to grant it. The Secretary will, therefore, take measures for a more regular authentication of the nature of the transaction, and will submit the result. To this, therefore, is the farther inducement of its being necessary to ascertain whether the persons who may be interested in the forfeiture, are disposed to relinquish their right.

The Secretary, however, begs leave to avail himself of the occasion, to represent to the House, that there are other instances which have come under his notice, in which considerable forfeitures have been incurred, manifestly through inadvertence and want of information—circumstances which cannot fail to attend the recent promulgation of laws of such a nature, and seem to indicate the necessity, in conformity to the usual policy of commercial nations, of vesting, somewhere, a discretionary power of granting relief.

That necessity, though peculiarly great in the early stages of new regulations, does not cease to operate throughout the progress of them. There occasionally occur incidents from which heavy and ruinous forfeitures ensue, that require the constant existence of some power capable of affording relief.

The proper investment of such a power is a matter of too much delicacy and importance to be determined otherwise than upon mature deliberation. Yet, the Secretary begs leave to submit to the consideration of the House, whether a temporary arrangement might not be made, with expedition and safety, which would avoid the inconvenience of a legislative decision on particular applications.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ADDITIONAL ESTIMATES FOR 1790.

Communnicated to the House of Representatives, March 2, 1790.

TREASURY DEPARTMENT, March 1, 1790.

Pursuant to the act for establishing the Treasury Department, the Secretary of the Treasury respectfully reports to the House of Representatives, that, in addition to the estimate for the service of the current year, which accompanied his report of the 9th of January, there are various other objects for which an appropriation is requisite, and which are detailed in the schedules herewith submitted, numbered I and II.

Among the objects specified in the schedule No. I, the House will observe the following:

The erection of a light-house on Cape Henry;

Salaries to the late commissioners of loans, from the 30th of June to the 31st December last;

Interest on certain loans made, and necessary to be made, for the current service;

Sum requisite to complete the payment of interest on the Dutch loans to the first of July next.

In respect to which several matters, the Secretary begs leave to state—

First: As to the erection of a light-house on Cape Henry. That the Commonwealth of Virginia, in conformity to the act of the last session, for the establishment and support of light-houses, &c., has passed a law empowering its Governor to cede to the United States, as well the jurisdiction over, as the right of soil in, as much land, not exceeding two acres, situate at a place called the Headland of Cape Henry, as shall be sufficient to erect a light-house upon; which cession, it is of course to be expected, will speedily be completed; and an appropriation of a competent sum is, therefore, necessary towards executing the provision of the said act for erecting a light-house at the entrance of the Chesapeake, which, it is of importance to the navi-

gation of that part of the Union, should be accomplished as speedily as possible.

Secondly: As to the salaries of the late commissioners of loans. Those officers were still in the execution of the duties they had been appointed to perform, when the organization of the present Treasury Department took place; and it appeared to the Secretary advisable to continue them in that situation to the end of the year, which has been accordingly done, subject to the discretion of the Legislature, in respect to compensation.

Thirdly: As to the interest on loans for the current service. Those which have been already made were the result of necessity; they have been in great part satisfied, and the residue will shortly be reimbursed out of the product of the duties: but the interest being an extra expenditure, requires an appropriation; and, as a farther anticipation of the receipts into the treasury, to satisfy immediate demands upon it, will be unavoidable, it is necessary that this, also, should be provided for. Obvious considerations dictate the propriety, in future cases, of making previous provision, by law, for such loans as the public exigencies may call for, defining their extent, and giving special authority to make them.

Fourthly: As to the sum for completing the payment of interest on the Dutch loans to the first of July. The rate of exchange, at the present juncture, renders it peculiarly convenient to remit from this country the sum necessary for that purpose; and it is important to the public credit, that immediate provision should be accordingly made.

The Secretary further begs leave to observe, that occasions occur, from time to time, which fall under no stated head of expenditure; for which, provision, in some mode or other, is necessary. A circumstance, at present existing, may serve as an example. There are persons who have been for some time associated in the practice of counterfeiting the securities of the United States, in a way which renders detection difficult, and has been productive of numerous impositions on individuals. The apprehension and punishment of these persons is, evidently, a matter of serious public concern, and the necessity of being able to offer

rewards for that purpose, is apparent; but the want of a provision for it is an impediment. Whether the appropriation of a moderate sum, for such cases, to be disposed of under the direction of the President of the United States, would not be a proper measure, is humbly submitted to the wisdom of the House.

ALEXANDER HAMILTON,
Secretary of the Treasury.

STATE DEBTS.

Communicated to the House of Representatives, March 4, 1790.

TREASURY DEPARTMENT, March 4, 1790.

In obedience to the order of the House of Representatives, of the 2d instant, the Secretary of the Treasury respectfully reports:

That, in his opinion, the funds, in the first instance, requisite towards the payment of interest on the debts of the individual States, according to the modifications proposed by him in his report of the 9th of January past, may be obtained from the following objects:

An increase of the general product of the duties on goods imported, by abolishing the discount of ten per cent. allowed by the fifth section of the act for laying a duty on goods, wares, and merchandises, imported into the United States, in respect to goods imported in American bottoms, and adding ten per cent to the rates specified, in respect to goods imported in foreign bottoms, with certain exceptions and qualifications. This change, without impairing the commercial policy of the regulation, or making an inconvenient addition to the general rates of the duties, will occasion an augmentation of the revenue little short of two hundred thousand dollars.

An additional duty on imported sugars. Sugars are an object of general consumption, and yet constitute a small propor-

tion of the expense of families. A moderate addition to the present rates would not be felt. From the bulkiness of the articles, such an addition may be made with due regard to the safety of collection. The quantity of brown and other inferior kinds of sugar imported, appears to exceed twenty-two millions of pounds, which, at a half cent per pound, would produce one hundred and ten thousand dollars. Proportional impositions on foreign refined sugar, and proper drawbacks on exportation, ought of course to indemnify the manufacturers of this article among ourselves.

Molasses, being in some of the States a substitute for sugar, a small addition to the duty on that article, ought to accompany an increase of the duty on sugar. This, however, ought to be regulated with proper attention to the circumstances, that the same article will contribute largely in the shape of distilled spirits. Half a cent per gallon on molasses, would yield an annual sum of thirty thousand dollars. Our distillers of spirits, from this material, may be compensated by a proportional extension of the duty on imported spirits.

Snuff, and other manufactured tobacco, made within the United States. Ten cents per pound on the snuff, and six cents on other kinds of manufactured tobacco, would be likely to produce annually, from ninety to one hundred thousand dollars. From as good evidence as the nature of the case will admit, the quantity of these articles manufactured in the United States, may be computed to exceed a million and a half of pounds. The imposition of this duty would require an increase of the duty on importation, and a drawback on exportation in favor of the manufacturer. This, being an absolute superfluity, is the fairest object of revenue that can be imagined, and may be so regulated as, in no degree, to injure either the growth or manufacture of the commodity.

Pepper, pimento, spices in general, and various other kinds of groceries. These articles will bear such additional rates as may be estimated to yield a sum of not less than thirty thousand dollars. Computing according to the entries in the State of New York, in 1788, the yearly quantity of pepper and pimento,

brought into the United States is not less than eight hundred thousand pounds, of which about a third is pepper. Six cents on pepper, and four cents on pimento (with drawbacks on exportation), may, without inconvenience, be laid.

Salt. An additional duty of six cents per bushel, may, in the judgment of the Secretary, with propriety be laid on this article. It is one of those objects, which, being consumed by all, will be most productive, and yet, from the smallness of the quantity in which it is consumed by any, and of the price, will be least burthensome, if confined within reasonable limits. If a government does not avail itself, to a proper extent, of resources like these, it must, of necessity, overcharge others, and particularly, give greater scope to direct taxation. The quantity of this article annually imported, being at least a million and a half of bushels, the annual product of an additional duty of six cents may be computed at ninety thousand dollars.

Carriages, such as coaches, chariots, &c. These articles may certainly be the subject of a considerable duty; how productive it would be, is not easy to be estimated. But it is imagined, that it would yield not less than fifty thousand dollars per annum.

. Licenses to practisers of the law, certain law writings, and various kinds of writings. The extent of this resource can only be determined upon trial; but the Secretary feels a strong assurance that there may be drawn from it yearly, not less than two hundred thousand dollars. The system for collecting a duty of this kind, would embrace playing cards, and some other objects of luxury, which do not fall under the above descriptions, but which are estimated in the supposed product.

Sales at auction (exclusive of houses or lands, or of those made in consequence of legal process, or of acknowledged insolvency). One per cent. on such sales would probably produce a yearly sum of forty or fifty thousand dollars.

Wines and spirits, sold at retail. These articles are, in the opinion of the Secretary, capable of being rendered far more productive, than has been generally contemplated; and they are, certainly, among the most unexceptionable objects of revenue.

It is presumed that two hundred thousand dollars per annum may, with facility, be collected from the retailment of these articles.

The foregoing objects are those which appear to the Secretary preferable towards a provision for the debts of the individual States. There are others, which have occurred to him as supplementary, in case the experiment should discover a deficiency in the expected product, but which, he conceives it unnecessary now to detail. He will only add, that he entertains no doubt of its being practicable to accomplish the end on the principles of his former report, without the necessity of taxing either houses or lands, or the stock or the produce of farms.

The Secretary, conceiving the design of the House to have been, to obtain from him a general delineation only of the funds competent, in his judgment to the provision in question, has refrained from those details which would be indispensable, if that provision were immediately to be made, and to have furnished which, would have occasioned greater delay than would probably have suited with the present state of the business, or the convenience of the House. He, with great deference, trusts, that what is now offered will be deemed a satisfactory compliance with their order.

The statement required respecting the product of the duties on imports and tonnage, to the last of December, as far as returns have come to hand, is contained in the schedule herewith.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

Schedule—Abstract of the net proceeds of the duties on Imports and Tonnage. —*State Papers—Finance, p.* 44.

OPERATIONS OF THE ACT LAYING DUTIES ON IMPORTS.

Communicated to the House of Representatives, April 23, 1790.

TREASURY DEPARTMENT, April 22d, 1790.

In obedience to the order of the House of Representatives of the 19th day of January last, the Secretary of the Treasury respectfully submits the following report:

FIRST. *As to the act imposing duties on goods, wares, and merchandise, imported into the United States.*

Section 1. The duties specified in this act, according to this section, took effect throughout the United States from and after the first day of August last. But as the act for the collection of those duties did not pass till the last of July, it was of course impossible that the officers for carrying it into execution could be appointed, commissioned, and ready to enter upon the execution of their offices, at the day fixed for the commencement of the duties. The custom houses in the several States were not organized till at different periods, from the fifth of August to some time in September; and in the intervals, several importations took place. In some instances, duties were paid under the State laws, in others none were paid.

The Secretary, conceiving it to be a clear point, that the duties, imposed by the first mentioned act, accrued as debts to the United States, on all goods imported after the day specified for their commencement, and that the regulations prescribed by the collection law were to be considered merely as auxiliary guards, for securing their due payment, did not think himself at liberty, on grounds of convenience or inconvenience, to waive the claim for them. He has therefore caused it to be made, and has given directions, with a view to a legal decision of the question.

But it is worthy of consideration by the Legislature, whether it be advisable to pursue, or relinquish it. The payment of the duties in this situation has been generally unlooked for, and, in

most cases, must be preceded by a legal determination. The enforcement of the claim would therefore be likely to be thought rigorous, and, in some instances, might be injurious—where merchants may have sold, without reference in the price to the duty; where factors or agents may have settled accounts with, and paid over the proceeds of goods to, their principals, especially if transient persons; where duties have been paid under the State establishments; in these and other cases, there might ensue loss or embarrassment. There must also be difficulty in ascertaining the sums which ought to be paid.

The distinctions between distilled spirits are conceived not to be sufficiently diversified or accurate. This has been remarked, and a remedy proposed, in the plan submitted to the House for the support of the public credit.

There is no general rate prescribed for estimating the draught and tare of those articles which pay duty by weight. The consequence is, that different allowances are made at different places, according to former usage, and too much is left to discretion.

Unwrought steel is rated at fifty-six cents for 112 lbs., which, upon an average of the cost, is less than five per cent. ad valorem. As an enumerated article, it is presumed to have been the intention of the Legislature to rate it higher than five per cent., especially as a higher rate would be in favor of the manufacture of it among ourselves, in which considerable progress has been made, particularly in the State of Pennsylvania.

The information received by the Secretary, induces him to consider as questionable, the policy of the duty on pickled fish, in its present extent. It is represented, that almost the whole of what is brought from Nova Scotia to Massachusetts, is re-exported; and this chiefly to foreign countries. And that, while it forms a considerable article in an intercouse between those places, beneficial to Massachusetts, it contributes to the augmentation of her exports.

If this be true, it is difficult to discern any advantage in the duty. To the revenue there will be rather loss than profit; as the expense, incident to the collection, and to the process of the drawback, will probably exceed the amount of the duty on the

small quantity internally consumed, even taking into the calculation the one per cent. retained as an indemnification for that expense. In a commercial light, as far as it has any operation, it seems to be rather an unfavorable one. The process of paying and drawing back, is not without inconveniences; and the unrefunded residue is a tax on the export trade in that article, from which, for the reason assigned, no benefit arises to the public; while the encouragement, which it was the object of this regulation to give to the fisheries, loses, in a great measure, its effect, by reason of the drawback. And it is suggested by intelligent men, that an injurious competition in the branch of the fisheries, to which the duty is applicable, is little to be apprehended.

The Secretary, however, does not conceive himself to be possessed with sufficient accuracy of all the facts necessary to a right judgment on this point, to be willing to hazard a decisive opinion. He therefore only means to state the circumstances communicated to him, in expectation that the Representatives from the part of the Union more immediately affected, will be able, by further lights, to guide the opinion of the House to a proper conclusion.

A discrimination is made by this section, in favor of teas brought from China or India, in American bottoms. The fifth section allows a discount of ten per cent. on all the duties imposed by this act, on goods, wares, and merchandises, imported in American bottoms. A question arises, whether this discount ought to obtain, in respect to the above-mentioned teas. The Secretary presumes, that the better construction is against the allowance, though within the letter of the provision; but an explanation is, perhaps, requisite, to obviate controversy.

All goods, wares, and merchandise, except teas, brought from China or India, otherwise than in American bottoms, are made liable to a duty of twelve and a half per cent. ad valorem. But in the clause immediately succeeding, all China ware is rated only at ten per cent. ad valorem. A doubt suggests itself, whether this article be excepted out of the preceding provision, or be itself subject to an implied exception, in favor of the full operation of that provision.

It is suggested, that the encouragement intended to our East India trade, by the duty of twelve and a half per cent. on India goods brought from China in foreign bottoms, will be counteracted by the want of a greater duty than is now laid on the same goods, brought from Europe; as competition is more to be apprehended through that channel, than from direct importations, in foreign bottoms, from India. While the Secretary deems it proper to bring this suggestion into the view of the House, he forbears giving an opinion as to the weight it ought to have. He perceives various advantages in a direct commerce with the East Indies, and is hitherto inclined to believe it merits the patronage of the Government; but the tendency of it is not yet sufficiently developed, to his judgment, to leave him wholly without reserve, as to the extent of the encouragement which ought to be given.

Commodities of our own growth or manufacture, carried to a foreign port, and brought back again to the United States, are, by this act, liable to duty. The tendency of this to discourage commercial enterprise, recommends the expediency of an exemption upon due proof of identity.

The sea stores of vessels, the furniture, clothing, and professional apparatus, of persons arriving in this country, from abroad, seem equally liable to duties with goods brought by way of merchandise. They have been in several instances exacted; but the payment is usually accompanied with remonstrance and discontent. If it was not the intent of the Legislature to include such articles, an explanation is necessary. Various considerations plead for exempting them, under proper limitations.

Section 2. From this section, it has been doubted whether there be, at present, any duty on hemp. And it has been inferred from the debates, to have been the intention of the Legislature to exempt it, till after the first of December, 1790; but the construction of the act is different. There is a duty on cotton as well as hemp, to take place at a future day. But cotton, in the mean time, is expressly excepted out of the five per cent. duty, which impliedly excludes hemp from the like exception. As

the act now stands, it will be a question, when the duty of sixty cents per hundred weight takes place, whether it be in addition to, or in lieu of, the present duty.

Section 8. Provision is here made for a drawback of the duties on goods exported within twelve months, with an exception of certain kinds of distilled spirits, and a deduction of one per cent.

But there is no provision for entries for exportation; whence it happens, that a vessel arriving from a foreign port, with part of her cargo destined for the United States, and other part for some other country, is obliged to pay or secure the payment of the duties on her whole cargo; and in strictness, even to land such articles as require weighing, gauging, or measuring, in order to the ascertaining of the duties. This is complained of as a hardship, and is contrary to the prevailing usage of commercial nations. The Secretary is of opinion, that the complaint is well founded; and that it is advisable that entries for exportation, with proper precautions and restrictions, should be authorized. The interests of the revenue can, with advantage, be consulted no further than they are consistent with the necessary freedom and facility of commercial intercourse.

The allowance of drawbacks does not obviate the subject of complaint. The necessity of advancing the money, or procuring security for the amount of the duties; the necessity of landing those articles which require to be weighed, measured, or gauged (which must in the first instance be submitted to), are material inconveniences; and the process for obtaining drawbacks, is attended with difficulty, casualty, and trouble. There must be a bond given not to re-land the goods; and this bond must be cancelled by certain proofs, which may not, in all cases, be obtainable; but which are, nevertheless, made a pre-requisite to the payment of the drawbacks. Nor can that payment, at any rate, be had, till after the expiration of six months: so that, even where security is given for the amount of the duties, it must often happen that they become payable before parties can be prepared to demand the drawback; and the one per cent. retained, is, in every case, a certain loss. These circumstances, to transient persons especially, operate as a grievance.

SECONDLY. *As to the act imposing duties on tonnage.*

The duties mentioned in this act, are upon all ships or vessels, entered into the United States.

The entry, therefore, is the circumstance which regulates the payment of the duty.

But a doubt has arisen, whether the duty ought to be deemed to accrue on every entry, or only on entries from foreign countries.

The construction which has been adopted, is, that it accrues on every entry, whether from abroad, or in one part of the United States from another.

One reason for this construction results from the second section, which provides that vessels built and owned in the United States, whilst employed in the coasting trade or fisheries, shall not pay tonnage more than once a year. If the duty were confined to entries from abroad only, it could not arise at all on vessels employed in the coasting trade, whilst so employed; in which case, this provision would be wholly nugatory. The last clause of the twenty-third section of the "act for registering and clearing vessels, regulating the coasting trade, and for other purposes," looks also to the same construction; strongly implying the payment of tonnage, generally, between district and district, and enlarging the rate in a particular case.

Yet the third section of the act now under consideration has been supposed to have a different aspect, as it subjects all vessels, except those built within, and owned by citizens of, the United States, employed in transporting our own commodities, coastwise, to a tonnage of fifty cents at each entry; whence it has been inferred, that, in other cases, the duty is not payable at each entry; because, by the first section, vessels wholly foreign pay fifty cents, whether employed in the coasting trade or not. But this inference loses its force, when it is observed, that there are other descriptions of vessels, in respect to which it serves to increase the rates specified in the first section, in favor of the exclusive privilege, to transport our own commodities coastwise, intended to be secured to vessels built within, and owned by citizens of,

the United States. This suggests a use for the clause, which is reconcilable with the provision in the second section.

The provisions of this act, however, appear to be varied by the "act for registering and clearing vessels, regulating the coasting trade, and for other purposes," in these particulars. The latter extends the privileges in the coasting trade, which, by the former, seem to be confined to vessels of the built of the United States, to all vessels which are registered or enrolled, provided they obtain licenses for the purpose. It also extends the duty of fifty cents to the transportation of foreign (as well as domestic) commodities, from district to district, by any vessel of the burthen of twenty tons and upwards, which has not a register or enrolment, and a license to trade.

Hence, if even a registered vessel, having no license, proceed from one district, with part of an outward bound cargo, to another district, in order to procure the remainder, and happen to take in a freight, at the first place, for the last, which amounts to a trading between the districts, she is subject, on her entry in the last, to foreign tonnage.

The propriety of this construction has been questioned; but a consideration of the general spirit of the coasting act, which aims at guarding the revenue against evasion, by the precautions annexed to the granting of licenses, and an accurate attention to the words of the last clause of the twenty-third section of that act, seem to leave no room for a different construction. These words are, "And if any vessel of the burthen of twenty tons, or upwards, not having a certificate of registry or enrolment, and a licence, shall be found trading between different districts, or be employed in the bank or whale fisheries, every such ship or vessel shall be subject to the same tonnage and fees as foreign ships or vessels."

This provision, for want of having been understood in the proper sense, has, in a variety of instances, borne hard upon individuals who have omitted to procure licenses, and whose vessels have been, on that account, subjected to foreign tonnage. It is submitted to the consideration of the House, whether restitution of the sums paid, through misapprehension of a new law,

would not be equitable in itself, and calculated to give a favorable impression of the liberality of the Government.

Perhaps, indeed, the expediency of the regulation itself merits reconsideration. The necessity of paying tonnage at all, in going from one district to another, has been a subject of complaint. And it is certain that it has, in many cases, been a burthensome operation. It would appear to the Secretary, upon the whole, eligible, that, upon entries from district to district, tonnage should, in no case, be demanded, except where a freight had been taken in, at one district, for another; and that, even there, in respect to vessels registered, but not licensed, half tonnage only should be paid.

THIRDLY. *As to the act to regulate the collection of the duties imposed by law on the tonnage of ships or vessels, and on goods, wares, and merchandise, imported into the United States.*

Sections 1, 2, 3, and 4. The arrangement of the districts, the privileges granted to some ports, the restrictions upon others, have been represented, in a few instances, as requiring alteration. The Secretary is inclined to think that some of the representations, made to him, will deserve attention; but, as he presumes that the course of business will lead to the appointment of a special committee, to prepare a bill for amending the laws under consideration, there are reasons which, with the permission of the House, would induce him to reserve a more particular communication, on this part of the subject, for that committee.

Section 5. This section contemplates a provision of boats, for securing the collection of the revenue; but no authority to provide them is any where given. Information, from several quarters, proves the necessity of having them; nor can they, in the opinion of the Secretary, fail to contribute, in a material degree, to the security of the revenue, much more than will compensate for the expense of the establishment: the utility of which will increase in proportion as the public exigencies may require an augmentation of the duties. An objection has been

made to the measure, as betraying an improper distrust of the merchants; but, that objection can have no weight, when it is considered that it would be equally applicable to all the precautions comprehended in the existing system; all which proceed on a supposition, too well founded to be doubted, that there are persons concerned in trade, in every country, who will, if they can, evade the public duties for their private benefit. Justice to the body of the merchants of the United States demands an acknowledgment that they have, very generally, manifested a disposition to conform to the national laws, which does them honor, and authorizes confidence in their probity. But every considerate member of that body knows that this confidence admits of exceptions, and that it is essentially the interest of the greater number that every possible guard should be set on the fraudulent few, which does not, in fact, tend to the embarrassment of trade.

The following is submitted as a proper establishment for this purpose:

That there be ten boats, two for the coasts, bays, and harbors, of Massachusetts and New Hampshire; one for the sound, between Long Island and Connecticut; one for the bay of New-York; one for the bay of Delaware; two for the bay of the Chesapeake; (these, of course, to ply along the neighboring coasts;) one for the coasts, bays, and harbors, of North Carolina; one for the coasts, bays, and harbors, of South Carolina; and one for the coasts, bays, and harbors, of Georgia.

Boats of from thirty-six to forty feet keel will answer the purpose, each having one captain, one lieutenant, and six mariners, and armed with swivels. The first cost of one of these boats, completely equipped, may be computed at one thousand dollars.

The following is an estimate of the annual expense:

10 Captains,	at 40	dollars	per month,	$4,800
10 Lieutenants,	at 25	do.	do.	3,000
60 Seamen,	at 8	do.	do.	5,760
Provision, - - - - - -				3,000
Wear and tear, - - - - -				2,000
				$18,560

The utility of an establishment of this nature must depend on the exertion, vigilance, and fidelity, of those to whom the charge of the boats shall be confided. If these are not respectable characters, they will rather serve to screen than detect fraud. To procure such, a liberal compensation must be given, and, in addition to this, it will, in the opinion of the Secretary, be advisable that they be commissioned as officers of the navy. This will not only induce fit men the more readily to engage, but will attach them to their duty by a nicer sense of honor.

Section 6. Collectors are here authorized, in case of necessary absence, sickness, or inability, to appoint deputies. It is represented that inconveniences have arisen from the want of the like power in the naval officers and surveyors.

Section 7. Provision is here made for the case of the disability or death of the collector, but not of the naval officer or surveyor. A similar provision, with respect to them, appears to be not less requisite.

Section 10. The provision of this section seems to extend too far. It is conceived that it ought to be confined to vessels owned wholly, or in part, by citizens of the United States; as it is not supposable that those of other nations can be acquainted with a regulation so entirely local in its nature, or be prepared to comply with it. There is also want of a penalty to enforce its observance.

This regulation has been represented as inconvenient and useless; but the Secretary does not view it in this light. It is probable that it will contribute to the security of the revenue, by rendering more difficult those collusions between masters and owners, which often take place after the arrival of vessels upon the coast, or within port.

Section 11. Masters of vessels, within forty-eight hours after their arrival in any port of the United States, are to make report. It is not explained, whether they are not at liberty, in the mean

time, to proceed elsewhere. The construction of the officers of the customs, in several instances, has been in favor of such liberty. But this construction does not appear to the Secretary well founded. He conceives that the duties become payable by the act of importation, even previously to entry, and that the forty-eight hours are only allowed as a reasonable time for the master to prepare his report; after which he is to be subject to a penalty for not doing it. An explanation, however, may prevent disputes.

It is also submitted, whether masters ought not to be required, within twelve hours after their arrival, to announce it at the custom-house, and to complete their report within twenty-four, with an exception for Sundays. It is of moment, that vessels arriving should be brought, as speedily as possible, under the notice of the proper officers, and that their situation should be ascertained as early as practicable. More time than is necessary for disclosing it with proper accuracy, can be of no real use, and gives greater opportunity for concerting frauds.

In the oath here prescribed for masters of vessels, there is no view to those casualties which may cause the cargo to be diminished at sea. There ought to be room for making the proper exceptions, according to the circumstances. And it would be useful to make it a part of the oath, that any goods afterwards discovered on board, shall be reported; as in the case of importers or consignees.

Section 12. It is here declared that no goods shall be unladen but in open day. It would be more safe, as well as more certain, to fix particular hours for the purpose, according to different seasons of the year. And it is submitted, whether all lading, as well as unlading of goods, at other hours, unless by special license from the officers of the customs, ought not to be forbidden. If, in addition to this, masters of vessels were required to give previous notice to the officers assigned to their respective vessels, of the times when deliveries are intended to begin, it would afford an increase of security.

This section contains various penalties on persons concerned

in unlading and removing goods, without the requisite permits. It would be a most powerful check upon fraud, if every master of a vessel, concerned in one, should, on conviction, be disqualified, under competent penalties, from having, at any time after, the command or charge of a vessel within the United States. There are, however, objections of weight to such a provision.

Section 13. The effect of this section is to oblige the payment or securing of the duties on all the goods brought in any vessel, at the port at which she first arrives, though part of them be destined for another, either within the United States, or elsewhere. This regulation is a subject of complaint. Its inconvenience becomes the more apparent, when it is considered that all the goods intended for another port must first be landed (and certain articles measured, weighed, or gauged), and afterwards reshipped. The trouble, expense, and delay of such a process, are serious obstructions to trade. Balancing its commercial inconveniences with the additional security which it may afford to the revenue, the Secretary is of opinion that an alteration is advisable. It should be incumbent upon the master of the ship to make report, at the first port, of the whole cargo on board, upon oath, distinguishing the particular goods intended for each port; and also to make oath, at every subsequent port, of the particulars of the goods landed at any preceding one, and of the persons to and for whom they were delivered; producing also certificates from the proper officers, of the whole quantity of the goods originally entered, and of so much as may have been regularly landed. A power of securing, with proper fastenings, the hatches, and other communications with the holds of ships; providing for accidents and necessity; and even, if judged requisite, to put an inspector on board, in going from one port to another, ought to be superadded.

No person but the owner or consignee of goods can make the entry here required. This, from the absence of parties, is sometimes inconvenient. It is the practice of countries, whose regulations are not deficient in strictness, to allow an agent of the party to make entry in his absence. And though this may widen

the door for evasion, there are, nevertheless, strong arguments, derived from convenience, in its favor. Penalties, proportionably severe, may be inflicted, upon fraud committed by any such agent, and the permission may be confined to the case of persons absent at the time of the arrival of the vessel in which the goods may have been brought.

The oath here directed to be taken by importers is not always in their power. There may be no invoice, nor any other accurate account of the quantity, quality, or cost of articles. A qualification in this respect is indispensable. Entries, without specifying particulars, must, of necessity, be admitted; parties swearing that they have received no account of them, and that they are unknown. An eye is had to this in the sixteenth section, but something is wanting to reconcile the two sections, and define a more accurate course of proceeding in the case.

Section 15. Inspectors are to be put on board vessels, who are to remain on board until they are discharged. This implies, during the night as well as the day; which, if practised, would multiply the number of inspectors to a very expensive extent. A power of securing the hatches, and other communications with the holds of vessels, during the night, would give greater security, where inspectors were kept constantly on board, and would, in many instances, obviate the necessity of doing it.

The unloading of a vessel is here limited to fifteen working days after she begins to unload. But the commencement of the business may be postponed, as long as the parties interested think fit. If there should be considerable delay, either an inspector must remain on board the whole time, in which case the expense may exhaust the duty, or there must be great opportunity for fraud. It seems proper, either to fix an ultimate limit for unloading, to be computed from the time of arrival, or of the master's report; or a period, after which, the expense of an inspector shall be borne by the party. The first appears to the Secretary most advisable, and he conceives that twenty working days, after the master's report, would suffice.

Section 19. The payment, or securing of the duties, is here made a preliminary to their being landed. This, in a strict sense, is impracticable, as certain articles must first be landed, weighed, gauged, or measured, before the duties can be ascertained. The object, however, of the provision, is proper, and it must be construed to admit a gross estimate of the sum, in the first instance, subject to after revision. It would, however, be desirable, that a discretion of this sort should be expressed. The collector, together with the naval officer, where there is one, or alone, where there is none, may be authorized to determine the amount of the duties to be paid, by an estimate of the same, according to the best of their or his judgment, and the collector may be empowered, in case of an over-estimate, either to return the excess, if the money has been paid, or to indorse a credit for it on the bond.

A discount of ten per cent. is here allowed for prompt payment, on the excess of any sum of duties beyond fifty dollars. The policy of this discount is questionable. Experience shows, that, in most of the States, transient persons chiefly avail themselves of it, who would, in most cases, pay the money without the discount, to avoid the inconvenience of suretyship.

But if even the discount ought to be continued, the rate seems to be too high. It exceeds the rate of interest at which the Government may borrow, more than is equivalent for the insurance of the risk of non-payment. Seven per cent. would, in the judgment of the Secretary, be the extent of a proper allowance. The confining the discount to the excess beyond fifty dollars, counteracts the provision wherever that excess is not considerable.

It is provided by the last clause of this section, that no person, whose bond is unsatisfied, after it becomes due, shall have a future credit with the collector, until it shall be discharged. The words "the collector," have been supposed to confine the non-allowance of credit to the particular collector to whom the bond was given; in which sense, a further credit may be had in another district; which would considerably lessen the utility of the regulation. The removal of this ambi-

guity, so as to render the exclusion general, may add to the efficacy of the provision.

Section 29. The compensations to the officers established by this section require revision; they are, in many instances, inadequate; in some, disproportionate. Resignations, in consequence of it, have taken place, and others are suspended on the expectation of a favorable alteration during the present session. It is certain, that competent allowances are essential to the idea of having the service performed by characters worthy of trust. And how much the security of the revenue depends on this, is evident. There are many ports where the officers receive next to nothing for their services. It were superfluous to comment on the inexpediency of such a state of things.

The Secretary, for the sake of brevity, begs leave to reserve the details, on this head, for the committee before alluded to.

It has been inferred, from this section, that the collector and naval officer are, necessarily, to transact their business in separate apartments. This (if it be the design of the provision from which the inference is drawn) was, probably, founded upon the idea, that the separation would lessen the danger of collusion between those officers. But it does not seem likely that a circumstance of this sort could have much effect in that way, while the separation leaves a good deal more in the power of the collector, and renders the naval officer far less a check upon him, than if he were made an immediate witness to his transactions. The Secretary is of opinion, that it would be preferable to require them to act in conjunction, and in the presence of each other, among other things, jointly administering and certifying all oaths required to be taken at the custom houses.

Section. 30. This section provides for the receipt of the duties in gold and silver coin only. The Secretary has considered this provision as having for object, the exclusion of payments in the paper emissions of the particular States, and the securing the immediate or ultimate collection of the duties in specie, as intended to prohibit to individuals the right of paying in any

thing except gold or silver coin; but not to hinder the treasury from making such arrangements as its exigencies, the speedy command of the public resources, and the convenience of the community, might dictate; those arrangements being compatible with the eventual receipt of the duties in specie. For instance, the Secretary did not imagine that the provision ought to be so understood as to prevent, if necessary, an anticipation of the duties, by treasury drafts, receivable at the several custom houses. And, if it ought not to be understood in this sense, it appeared to him that the principle of a different construction would extend to the permitting the receipt of the notes of public banks, issued on a specie fund. Unless it can be supposed, that the exchanging of specie, after it has been received for bank notes, to be remitted to the treasury, is also interdicted, it seems difficult to conclude that the receipt of them, in the first instance, is forbidden.

Such were the reflections of the Secretary with regard to the authority to permit bank notes to be taken in payment of the duties. The expediency of doing it appeared to him to be still less questionable. The extension of their circulation, by the measure, is calculated to increase both the ability and the inclination of the banks to aid the Government. It alsoaccelerates the command of the product of the revenues for the public service, and it facilitates the payment of the duties. It has the first effect, because the course of business occasions the notes to be sent beforehand to distant places; and being ready on the spot, either for payment or exchange, the first post, after the duties become payable, or are received, conveys them to the treasury. The substitution of treasury drafts, anticipating the duties, could hardly be made without some sacrifice on the part of the public. As they would be drawn upon time, and upon the expectation of funds to be collected, and, of course, contingent, it is not probable that they would obtain a ready sale, but at a discount, or upon long credit. As they would also be more or less liable to accident, from the failure of expected payments, there would be continually a degree of hazard to public credit. And, to other considerations, it may be added,

that the practice of anticipations of this kind, is, in its nature, so capable of abuse, as to render it an in-eligible instrument of administration, in ordinary cases, and fit only for times of necessity.

If the idea of anticipation should be excluded, then the relying wholly upon treasury drafts would be productive of considerable delay. The knowledge, that funds were in hand, must precede the issuing of them. Here would, of course, be some loss of time. And as the moment of demand, created by the course of business, would frequently elapse, there would, as frequently, be a farther loss of time in waiting for a new demand. In such intervals, the public service would suffer, the specie would be locked up, and circulation checked. Bank notes being a convenient species of money, whatever increases their circulation, increases the quantity of current money. Hence, the payment of duties is doubly promoted by their aid; they at once add to the quantity of medium, and serve to prevent the stagnation of specie.

The tendency of the measure to lessen the necessity of drawing specie from distant places to the seat of Government results from the foregoing considerations. The slow operation of treasury drafts would frequently involve a necessity of bringing on specie, to answer the exigencies of government; the avoiding of which, as much as possible, in the particular situation of this country, need not be insisted upon.

But, convinced as the Secretary is of the usefulness of the regulation, yet, considering the nature of the clause upon which these remarks arise, he thought it his duty to bring the subject under the eye of the House. The measure is understood by all concerned to be temporary.

Indeed, whenever a National Bank shall be instituted, some new disposition of the thing will be a matter of course.

Sections 31 *and* 32. The provision, in these sections, respecting drawbacks, seems to require revision in several particulars.

The benefit of it is intended for any person by whom the goods may be exported, whether that person be the importer of

them or another; and yet the oath, to be taken by the exporter, is of such a nature, as must be very difficult to any but the importer. It declares, that the goods are, in quantity, quality, and value, according to the inward entry of them, which was duly made at the time of importation—a fact, which, it is evident, can rarely be known to any but the person who made that entry. This must, therefore, occasion either difficulty in obtaining the drawback, or a kind of constructive swearing, inconsistent with that scrupulous strictness which ought ever to accompany an oath, and on which the security they are intended to afford, must depend. To obviate both, it seems necessary to direct, that proof of the fact shall be made, to the satisfaction of the collector, by the oaths or affirmations of all the parties, through whose hands the goods may have passed; in which case, each can be examined as far as his knowledge can be presumed to extend.

There is no rule prescribed for regulating the sum in which bonds shall be taken; whence there is, perhaps, too much left to the discretion of the officers. And the cancelling of the bond is made to depend, among other things, upon the oath or affirmation of the master and mate of the vessel, in which the goods are exported, attesting their delivery: a requisite which it may not always be possible to fulfil. The master or mate may die, or may quit the vessel from different causes, without complying with it. These circumstances seem to require some other modifications. The Secretary has had an eye to them, in the draught of the bill accompanying his report of the ninth of January last; to which he begs leave respectfully to refer.

Section 40. This section provides, that no goods, wares, or merchandise, of foreign growth or manufacture, subject to the payment of duties, shall be brought into the United States, otherwise than by sea, and in ships or vessels of not less than thirty tons' burthen; with an exception as to the district of Louisville, and another, as to vessels, at the time of the passing of the act, on their voyage.

It is a matter which merits particular consideration, whether there ought not, also, to be an exception in regard to the

most Easterly district of the State of Massachusetts. The situation of that district is, in different views, peculiar, so as, perhaps, to render it advisable rather to endeavor to regulate, than to prevent the introduction of foreign articles in smaller vessels. The information received on this point will, also, with the leave of the House, be reserved for the committee before referred to.

FOURTHLY. *As to the "act for registering and clearing vessels, regulating the coasting trade, and for other purposes."*

Many of the provisions of this act are objected to, particularly those parts which relate to the coasting trade and fisheries; and yet, it must be confessed, that the proper remedies or alterations are neither obvious nor easy. The more the matter is examined, the more difficult it appears to reconcile the convenience of those branches of trade with due precautions for the security of the revenue.

Section 2. The idea of this section is, that every vessel shall be registered by the collector of the district to which she belongs. This regulation is a proper one, as a knowledge of the persons on whose oaths or affirmations the registries are to be founded by the officer making them, is a security against imposition. But this provision seems to be contravened by that of the seventh section, as will be noted hereafter.

Section 3. This section directs the mode of ascertaining the tonnage of all ships or vessels.

It is, however, a question, whether it means only those which are to be registered, in order to their registry, or extends to others, in order to computing the tonnage duty. The latter construction has been preferred, for the sake of equality and uniformity.

The mode of admeasurement prescribed, has been complained of, as unfavorable to certain kinds of vessels, and as tending to enlarge the tonnage beyond the standard of other countries.

Section 6. Objections are made to the form of the oath prescribed by this section. The party is to swear, positively, to the place where the vessel was built (which, in a great number of cases, cannot, with propriety, be done), and, also, to the citizenship, not only of himself, but of the other owners, and of the master (which, in many cases, must be equally difficult).

Inconveniences are experienced from the want of a rule for determining who are citizens. The consequence of it is, that every man is left to his own opinion of what constitutes one, and it is represented that there are instances in which persons of reputation, supposing that residence only conferred the character, have been ready to take the oath prescribed.

A designation of the several descriptions of persons entitled to the privileges of citizens under this act, requiring that the particular one, under which each falls, should be inserted in his oath, would be the most effectual guard against error or imposition. If this should be thought to be attended with too many difficulties, from our peculiar situation, it may, at least, be proper to annex some adequate pecuniary penalty to the obtaining of registers by persons not citizens, and, to oblige all who apply, to specify, in their oaths, by what title they are citizens, that is, whether by nativity, naturalization or otherwise, which, by bringing into view the situation of each person, would serve as a useful check.

In these observations, it is taken for granted, that, as the law now stands, the oath of the party is the sole guide to the officers of the customs; that they have not any discretion in the case, and, that a power in them to judge of the qualifications of individuals, in so important a respect, could not, with propriety, be established.

Section 7. The second section, as already remarked, directs, that vessels be registered in the districts to which they belong. This admits their registry wherever they may be, provided the oath required be taken before the collectors of the district to which they belong. It is conceived that an adherence to the principle of the second section, throughout, would conduce to

security. And it is, therefore, submitted, whether, instead of the provision in this section, it would not be advisable to provide that, when a vessel, being in a district other than that to which she belongs, has occasion to be registered, she shall be surveyed under the direction of the proper officer of the port where she may happen to be, and registered by the collector of the district to which she may belong, upon a certificate of the officer by whom such survey shall have been made.

Section 11. The declaring the instrument of transfer void, unless the register be recited in it, involves an embarrassing question, as to the property of the vessel, and does not seem necessary to the object in view. The subsequent part of the section, which annuls the privileges of an American bottom, without such recital, answering, alone, the purpose of the provision.

Section 12. If, in the oath on which the registry is founded, it be necessary to declare that the master is a citizen, it would seem equally necessary that, on a change of master, there should be a like attestation of his citizenship, previous to the endorsement herein directed to be made, as otherwise, a citizen may be the master one day, a foreigner the next.

Section 13. There would be less room for imposition, if, instead of allowing the collector of the port, where the vessel might be, to grant a new register, he were authorized merely to take the oath prescribed, in order to its transmission to the collector of the district where she might belong, making it the duty of the latter to issue the new register.

Section 22. This section commences the regulations respecting vessels employed in the coasting trade and fisheries. The proviso of it exempts all licensed vessels, under twenty tons, from clearing and entering, and, in its consequences, removes them, almost wholly, from the inspection of the officers of the customs. The tendency of this to facilitate smuggling, is obvious, as these vessels are precisely of that kind which would be

most naturally employed in clandestinely unlading, on the coast, those which arrive from abroad. The bond required, in order to a license, is a very slender restraint, not only from the smallness of the penalty, but from the little danger of discovery. And the oath is still less effectual, because the master who is to take it, may, at any time be changed, before the application for a new license. This oath, too, is exceptionable on other accounts. The anticipation of a future and distant oath may be too apt to give way to the allurements of immediate interest; and if a breach of the law have been committed, when it is to be taken, it is hardly to be expected that there will be a strict adherence to truth, at the price of incurring both disgrace and loss.

It would, perhaps, be more effectual, and less exceptionable, if, instead of this oath, one should be required, previous to the granting of any license to a fishing or coasting vessel, from the owner or owners of such vessel, that she shall not, during the time for which it is to be granted, be employed, with his or their permission, consent, sufferance, privity, or connivance, in any way, whereby the payment of the duties imposed by law, on articles imported into the United States, may be evaded.

But it seems indispensable towards guarding against the frauds which may be committed by coasters, that they should be obliged, at every port or place where there is an officer of the customs, to report themselves and their lading, on their arrival, and previous to their departure. For this purpose, the office hours ought to be so regulated and extended, as to afford the greatest possible accommodation, and avoid occasions of delay. With this precaution, and taking care that the fees are moderate, it is presumable that coasters may be subjected to a pretty exact inspection, without injuriously impeding their business.

While they ought, in the opinion of the Secretary, to be thus subjected to a strict supervision at places where there are officers, it appears to him proper that they should be exempted from the obligation either of entering or clearing, when at places where there are none. The necessity of journeys to distant offices, frequently across rivers and bays, and at the expense of the loss of favorable winds, occasions, in some parts of the Union, serious obstructions to the coasting trade. As connected with the idea,

it would tend to the security of the revenue if a discretion were allowed to appoint inspectors at places which are not ports of general entry or delivery, for the purpose of entering, clearing, and overseeing coasters.

Section 23. In the remarks on the act imposing duties on tonnage, the construction which has obtained upon the last clause of this section has been stated, together with the hardships which have ensued to individuals from misapprehension of it.

A different modification of the provision has, also, been suggested. Among other reasons to be assigned for it is this: that, by obliging all registered vessels to take out licenses, it unnecessarily increases the number of vessels entitled to the privileges of coasters. In the opinion of the Secretary, these ought to be confined to such as are ordinarily employed in the coasting and fishing trade; to effect which, it may be proper that, previous to the granting of any license, an oath or affirmation should be made, that the vessel for which it is required is, *bona fide*, intended to be employed as a coasting or fishing vessel, during the period for which it is to be granted, or the greater part of it, and even to annex a penalty to the taking out a license for any vessel which shall not be so employed. This, in respect to fishing vessels, seems peculiarly necessary, as it is easy to see that, on the pretext of that employment, licenses may be perverted from their real purpose, to that of a mere cover for illicit practices.

There is no provision for the case of a change of property within the year, for which a license may be granted, which, sometimes, occasions sureties to be bound for parties they did not contemplate. This, and the repetition of tonnage duty, which is a consequence of it, is regarded as an inconvenience, requiring to be remedied, by a provision for the granting new licenses, when such changes happen, upon new security for the remainder of the year.

Sections 27 and 28. As there are no particular penalties annexed to a non-compliance with the requisites of these sections, it

has, of course, been found, in some instances, difficult to enforce their execution. And, though it is presumed that such non-compliance would be a good probable cause of seizure, yet if, in the event of a trial, it turned out, in one case, that there were no foreign goods, nor ardent spirits, exceeding four hundred gallons, on board; and in the other, that a manifest and permit had been obtained, and that no goods were on board but such as they had specified, no penalty could be inflicted. And a vexatious litigation between the officer and the party might be the only fruit of the seizure.

It is inferred from the last of these sections, that a coaster whose ultimate destination is for a place where a collector or surveyor resides, having on board goods for any intermediate place, is not at liberty to land those goods at such intermediate place, till after a permit for landing shall have been obtained at the place of destination; which is complained of as a grievance, and certainly is attended, in many cases, with considerable inconvenience. A relaxation, in this respect, may be advisable. And to guard, as much as possible, against any ill effects from it, it may be expedient that, whenever a coaster arrives at a port where a collector or surveyor resides, it should be incumbent upon the master of her to make a report in writing, and upon oath, stating the goods on board at the time of her departure from the last port left by her, at which a collector or surveyor resided, and which may have been afterwards taken in, or delivered, prior to her arrival at the place of report. In this case, to avoid a too great multiplication of oaths, the oaths required by the 25th and 26th sections may be dispensed with; though it will be still useful, that the manifests should be exhibited and certified.

Section 31. The Secretary, considering it as an essential rule, that emoluments of office should not be extended by construction or inference, beyond the letter of the provision, lest a door should be opened to improper exactions, has instructed the officers of the customs to govern themselves by a literal interpretation of the several clauses of this section; the consequence of which, however, is, that equal services are unequally recompensed.

This chiefly arises from that clause, which allows a fee of sixty cents—

"For every entry of inroad cargo, directed to be made in conformity with this act, and for receiving of, and qualifying to, every manifest of vessels, licensed to trade as aforesaid."

The entry, and the receiving and qualifying to a manifest, being joined together by the word *and*, are understood as one service, to which a fee of sixty cents is attached; so that, when only either of the two things is performed, and not the other, no fee is taken.

Hence there is no allowance for swearing the master to his manifest, and granting a certificate of its having been done, according to the twenty-fifth and twenty-sixth sections of this act, because it is not accompanied, in either case, with an inward entry. Twenty cents for the permit to proceed to the place of destination is the only fee understood to be demandable for the services specified in these sections.

The sixty cents are deemed applicable only to the services enjoined by the twenty-seventh section.

A revision of this section will, upon accurate examination, be found eligible for other reasons, which, for the sake of brevity, are omitted.

The foregoing are the principal remarks which occur on the provisions of the several acts, on which the Secretary has been directed to report. These acts have fulfilled their objects in all respects, as well as could reasonably have been expected from the first essay on so difficult a subject. It was foreseen that experience would suggest the propriety of corrections in the system, and it is equally to be inferred, that farther experiment will manifest the expediency of further correction. The work must be progressive, since it can only be by successive improvements that it can be brought to the degree of perfection of which it is susceptible.

As connected with the difficulties that have occurred in the execution of the laws, which is the subject of this report, the Secretary begs leave, in the last place, to mention the want of an officer, in each State, or other considerable subdivision of the

United States, having the general superintendence of all the officers of the revenue within such State or subdivision.

Among the inconveniences attending it, is a great difficulty in drawing, from the more remote ports, the moneys which are there collected. As the course of business creates little or no demand at the seat of Government, or in its vicinity, for drafts upon such places, negotiations, in this way, are either very dilatory, or impracticable; neither does the circulation of bank paper, from the same cause, extend to them. This embarrassment would be remedied by having one person in each State, or in a district of the United States, of convenient extent, charged with the receipt of all the moneys arising within it, and placed, in point of residence, where there was the greatest intercourse with the seat of Government. This would greatly facilitate negotiations between the treasury and distant parts of the Union, and would contribute to lessening the necessity for the transportation of specie.

But there are other reasons, of perhaps still greater weight, for the measure. It is, in the opinion of the Secretary, essential to a due supervision of the conduct of the particular officers engaged in the collection of the revenues, and to the purposes of exact and impartial information, as to the operation of the laws which relate to them. It is impossible, that the first end can be answered by any attention or vigilance of an individual, or individuals, at the head of the treasury. Distance, and the multiplicity of avocations, are conclusive bars. And, however it may appear at first sight, that the second end may be attainable from the communications of those particular officers, yet, when it is considered how apt their representations will be to receive a tint from the personal interests of the individuals, and the local interests of districts, it must be perceived that there cannot always be sufficient reliance upon them, and that variances between them will not unfrequently serve rather to distract, than to inform the judgment. Greater impartiality, and, of course, better information, may be expected from an officer, who, standing in the same relation to a larger district, composed of several smaller districts, will be more likely to be free from the influence, either

of personal interests, or local predilections, in reference to the parts.

The Secretary begs leave, with the utmost deference, to say, that he considers an arrangement of this kind as of real importance to the public service, and to the efficacious discharge of the trust reposed in him.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

TONNAGE DUTIES.

Communicated to the House of Representatives, May 11, 1790.

TREASURY DEPARTMENT, May 11, 1790.

The Secretary of the Treasury respectfully submits an abstract of the duties which have accrued on the tonnage of ships or vessels, from the first day of September, to the 31st day of December last, pursuant to the order of the House of Representatives of the fifth instant.

ALEXANDER HAMILTON,
Secretary of the Treasury.

—[*State Papers. Finance*, vol. i. p. 52.]

MONEY RECEIVED FROM, OR PAID TO, THE STATES.

Communicated to the House of Representatives, May 11, 1790.

The Secretary of the Treasury, in obedience to the order of the House of Representatives of the 23d of April, respectfully submits the several statements, in the schedules herewith transmitted, marked A and B, and Nos. 1, 2, 3, 4, and 5.

Upon these statements, the Register of the Treasury, in his report to the said Secretary, makes the following remarks:

The debits and credits, in continental money, advanced from,

or received out of, the treasury of the United States, as stated in the within schedule, may be relied on as the true nominal amount, stated on record in the treasury books; but the reduction to specie value, is subject to the examination of the general board of commissioners.

The credits for specie, and also of indents paid into the treasury of the United States, on account of the existing requisitions of Congress, are accurate, and, it is presumed, conclusive. But, with respect to the extension, in specie, of the several payments into the treasury, in the emission of continental bills of credit, called old emissions, and the emissions of the 18th March, 1780, although the nominal sums specified in the subordinate statements, are as accurate as the treasury records will admit, yet, as there is no legislative guide on a question of so great importance, the treasury officers have felt themselves exceedingly embarrassed. On the one hand, they could not presume to affix a scale not warranted by any act of the Legislature, and on the other, the order of the House required a compliance as far as possible. They have, therefore, on this occasion, governed themselves by the only existing regulation of the late Congress. According to the table herewith presented, by a reduction of specie, all sums, either paid or received from the States, from the commencement of the Revolution, to 18th March, 1780, and from that period to the present date, all sums in continental money, are reduced to specie, at forty for one.

The new emissions are estimated equal to specie.

When State paper has been received by the United States from any particular State, the State making the payment has received a credit, at which, it has been accounted for, by those who have received it.

The Secretary begs leave to observe, from principles which have governed the said statements, they cannot be considered as exhibiting the actual specie value of the moneys received from the respective States.

But an impression, that it might not be advisable, on his part, to enter into considerations which are relative to the duty of the commissioners for settling accounts between the United States

and the individual States, has led him to seek, in the acts of Congress and the records of the treasury, for the results by which the liquidation of the paper money should be conducted, rather than to indulge a latitude of opinion as to what might be the abstract right.

All which is respectfully submitted.

SCHEDULE A. General abstract of the sums of money, including indents and paper money of every kind, reduced to specie value, which have been received by, or paid to, the several States, by Congress, from the commencement of the Revolution to the present period: made in pursuance of the order of the House of Representatives, of the 23d of April, 1790.

B. Schedule of the accounts of the United States with individual States.

No. 1. Schedule of the Requisitions on the several States by the United States in Congress assembled.

No. 2. Schedule of the sums in the money of the emission of the 18th March, 1780, which have been appropriated by the United States.

No. 3. Statement of the sums in the old Continental emission paid by certain enumerated States into the Treasury of the United States on account of their several quotas of the requisitions of Congress, of the 18th March, 1780.

No. 4. Abstract of Warrants entered in the treasury books to the credit of individual States, &c.—*State Papers, Finance*, pp. 53–62.

WEST POINT.

Communicated to the House of Representatives, June 10th, 1790.

TREASURY DEPARTMENT, June 8, 1790.

The said Secretary respectfully reports—

That it is the opinion of the Secretary for the Department of War, that it is expedient and necessary that the United States should retain and occupy West Point, as a permanent Military Post; the principal reasons for which, as stated by him in a report to Congress, of the 31st of July, 1786, are as follows:

That in case of an invasion of any of the Middle or Eastern States by a Marine Power, the possession of Hudson River would be an object of the highest importance as well to the invader as to the United States.

That the reciprocal communication of the resources of the

Eastern and Middle States, so essential to a well-combined resistance, depends entirely on the possession of the said river by the United States.

That West Point is of the most decisive importance to the defence of the said river for the following reasons:

1st. The distance across the river is only about fourteen hundred feet, a less distance by far than any other part.

2d. The peculiar bend or turn of the river forming almost a re-entering angle.

3d. The high banks on both sides of the river favorable for the construction of formidable batteries.

4th. The demonstrated practicability of fixing across the river a chain or chains at a spot where vessels, in turning the point, invariably lose their rapidity, and, of course, their force, by which a chain at another part of the river would be liable to be broken.

These circumstances combined, render the passage of hostile vessels by West Point impracticable.

That the fortifications of West Point and its dependencies are extremely difficult to be invested and besieged.

This circumstance, which greatly enhances the value of the place, arises from the broken and mountainous grounds and narrow passes which surround the fortifications.

A regular siege of West Point, properly garrisoned and furnished, would require a large army, vast warlike preparation, and much time. The States, therefore, in its vicinity, would have sufficient time to draw forth their utmost force for its relief.

That however West Point may be regarded by some persons as an interior place, yet the reverse is a fact, and may be proved by a slight consideration of the facility with which it can be approached by water. It is quite practicable for vessels coming in from sea, and arriving at Sandy Hook at the close of day, to reach West Point before the next morning. The navigation of the river is known to be so bold that the passage could be easily performed during the night.

That the said Secretary of the Treasury, impressed with a

persuasion that the said opinion is well founded, conceives it to be just and proper that a purchase should be made, on account of the United States, of so much of the tract of land called West Point, as shall be necessary for the purpose contemplated; and this, for the following reasons:

First. That where the public safety requires the permanent occupancy of the property of an individual for the public use, it is just that compensation should be made for its entire value, either by purchase with consent of parties, or by some equitable mode of appraisement. Temporary or periodical compensations, unless with the concurrence of the proprietor, are liable to this objection—that they oblige the individual to content himself with less than the full use or value of his property, by sale or otherwise, as his interest or necessities may require.

Secondly. These temporary compensations, for various obvious reasons, will be likely, in the end, to prove more expensive to the public than an absolute purchase in the first instance:

Wherefore the said Secretary is of opinion, that it will be advisable that provision should be made by law for the purchase of so much of the said tract of land called West Point, as shall be judged requisite for the purpose of such fortifications and garrisons as may be necessary for the defence of the same.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

PUBLIC LANDS.

REPORT OF A UNIFORM SYSTEM FOR THE DISPOSITION OF THE LANDS, THE PROPERTY OF THE UNITED STATES.

Communicated to the House of Representatives, July 22, 1790.

That on the formation of a plan for the disposition of the vacant lands of the United States, there appears to be two leading objects of consideration; one, the facility of advantageous sales

according to the probable course of purchases; the other, the accommodation of individuals now inhabiting the western country, or who may hereafter emigrate thither.

The former, as an operation of Finance, claims primary attention; the latter is important, as it relates to the satisfaction of the inhabitants of the western country. It is desirable, and does not appear impracticable, to conciliate both.

Purchasers may be contemplated in three classes; moneyed individuals and companies, who will buy to sell again; associations of persons who intend to make settlements themselves; single persons or families now resident in the western country, or who may emigrate thither hereafter. The two first will be frequently blended, and will always want considerable tracts. The last will generally purchase small quantities. Hence a plan for the sale of the western lands, while it may have due regard to the last, should be calculated to obtain all the advantages which may be derived from the two first classes. For this reason it seems requisite that the general land-office should be established at the seat of government. 'Tis there that the principal purchasers, whether citizens or foreigners, can most easily find proper agents, and that contracts for large purchasers can be best adjusted.

But the accommodation of the present inhabitants of the western territory, and of unassociated persons and families who may emigrate thither, seems to require, that one office subordinate to that at the seat of Congress, should be opened in the North Western, and another in the South Western government.

Each of these offices, as well the general one as the subordinate ones, it is conceived, may be placed with convenience under the superintendence of three commissioners, who may either be pre-established officers of government, to whom the duty may be assigned by law, or persons specially appointed for the purpose. The former is recommended by considerations of economy, and it is probable would embrace every advantage which could be derived from a special appointment.

To obviate those inconveniences, and to facilitate and insure the attainment of those advantages, which may arise from new

and casual circumstances, springing up from foreign and domestic causes, appear to be an object for which adequate provision should be made in any plan that may be adopted. For this reason, and from the intrinsic difficulty of regulating the details of a specific provision for the various objects which require to be consulted, so as neither to do too much nor too little for either, it is respectfully submitted, whether it would not be advisable to vest a considerable latitude of discretion in the commissioners of the general land-office, subject to some such regulations and limitations as follows, viz.:

That no land shall be sold, except such in respect to which the titles of the Indian tribes shall have been previously extinguished.

That a sufficient tract or tracts shall be reserved and set apart for satisfying the subscribers to the proposed loan in the public debt; but that no location shall be for less than five hundred acres.

That convenient tracts shall from time to time be set apart for the purpose of locations by actual settlers, in quantities not exceeding to one person one hundred acres.

That other tracts shall, from time to time, be set apart for sales in townships of ten miles square, except where they shall adjoin upon a boundary of some prior grant, or of a tract so set apart, in which cases there shall be no greater departure from such form of location than may be absolutely necessary.

That any quantities may nevertheless be sold by special contract, comprehended either within natural boundaries or lines, or both.

That the price shall be thirty cents per acre, to be paid either in gold or silver, or in public securities, computing those which shall bear an immediate interest of six per cent. as at par with gold and silver; and those which shall bear a future or less interest, if any there shall be, at a proportional value.

The certificates issued for land upon the proposed loan, shall operate as warrants within the tract or tracts which shall be specially set apart for satisfying the subscribers thereto, and shall also be receivable in all payments whatsoever for land, by way of discount, acre for acre.

That no credit shall be given for any quantity less than a township of ten miles square, nor more than two years credit for any greater quantity.

That in every instance of credit, at least one quarter part of the consideration shall be paid down, and security, other than the land itself, shall be required for the residue. And that no title shall be given for any tract, or part of a purchase, beyond the quantity for which the consideration shall be actually paid.

That the residue of the tract or tracts, set apart for the subscribers to the proposed loan, which shall not have been located within two years after the same shall have been set apart, may then be sold on the same terms as any other land.

That the commissioners of each subordinate office shall have the management of all sales, and the issuing of warrants for all locations, in the tracts to be set apart for the accommodation of individual settlers, subject to the superintendency of the commissioners of the general land-office, who may also commit to them the management of any other sales or locations which it may be found expedient to place under their direction.

That there shall be a surveyor-general, who shall have power to appoint a deputy surveyor-general in each of the western governments, and a competent number of deputy surveyors to execute in person all warrants to them directed by the surveyor-general, or deputy surveyor-generals, within certain districts to be assigned to them respectively. That the surveyor-general shall also have in charge all the duties committed to the geographer-general by the several resolutions and ordinances of Congress.

That all warrants issued at the general land-office shall be signed by the commissioners, or such one of them as they may nominate for that purpose, and shall be directed to the surveyor-general. That all warrants issued at a subordinate office, shall be signed by the commissioners of such office, or by such one of them as they may nominate for that purpose, and shall be directed to the deputy surveyor-general within the government. That the priority of locations upon warrants shall be determined by the times of the applications to the deputy-surveyors; and, in

case of two applications for the same land at one time, the priority may be determined by lot.

That the treasurer of the United States shall be the receiver of all payments for sales at the general land-office, and may also receive deposits of money, or securities for purchases intended to be made at the subordinate offices, his receipts, or certificates for which, shall be received in payment at those offices.

That the secretary of each of the western governments shall be the receiver of all payments arising from sales at the office of such government.

That controversies concerning rights to patents, or grants of land, shall be determined by the commissioners of that office under whose immediate direction, or jurisdiction, the locations in respect to which they may arise shall have been made.

That the completion of all contracts, and sales heretofore made, shall be under the direction of the commissioners of the general land-office.

That the commissioners of the general land-office, surveyor-general, deputy surveyors-general, and the commissioners of the land-office in each of the western governments, shall not purchase, nor shall others purchase for them, in trust, any public lands.

That the secretaries of the western governments shall give security for the faithful execution of their duties as receivers of the land-office.

That all patents shall be signed by the President of the United States, or by the Vice-President, or other officer of Government acting as President, and shall be recorded in the office either of the surveyor-general, or of the clerk of the Supreme Court of the United States.

That all surveys of land shall be at the expense of the purchasers or grantees.

That the fees shall not exceed certain rates, to be specified in the law, affording equitable compensations for the services of the surveyors, and establishing reasonable and customary charges for patents and other office papers, for the benefit of the United States.

That the commissioners of the general land-office shall, as soon as may be, from time to time, cause all the rules and regulations which they may establish to be published, in one gazette at least, in each State, and in each of the western governments where there is a gazette, for the information of the citizens of the United States.

Regulations like these will define and fix the most essential particulars which can regard the disposal of the western lands, and where they leave any thing to discretion, will indicate the general principles or policy intended by the Legislature to be observed, for a conformity to which the commissioners will of course be responsible. They will, at the same time, leave room for accommodating to circumstances which cannot beforehand be accurately appreciated, and for varying the course of proceeding as experience shall suggest to be proper, and will avoid the danger of those obstructions and embarrassments in the execution, which would be to be apprehended from an endeavor at greater precision and more exact detail.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ESTIMATES.

Communicated to the House of Representatives, August 7, 1790.

TREASURY DEPARTMENT, August 5th, 1790.

The Secretary of the Treasury begs leave respectfully to submit to the House of Representatives, the estimates contained in the schedules A and B, herewith transmitted.

That contained in the schedule A, relates chiefly to the current service, and to matters for which an immediate provision is obviously requisite.

That contained in the schedule B, relates partly to certain

claims on the United States, of a nature distinguishable from the mass of the public debt, and, therefore, requiring some special disposition, and partly to objects which it appeared to the Secretary proper to bring into the view of the House, that it might be considered whether any reservation of funds was necessary on their account.

The item respecting the orders of the superintendent of finance, was the subject of statement, which accompanied a report to the House of the 24th of September last, but was not then provided for. Two petitions preferring claims, for the satisfaction of which, among others, those orders were issued, one from Peter Anspach on behalf of Timothy Pickering, late Quartermaster General, and the other from Abraham Skinner, late Commissary General of prisoners, have been presented to the House during the present session, and referred to the said Secretary; pursuant to which reference, he begs leave to state—

That those orders were issued to satisfy debts, which had been contracted by the said late Quartermaster General, for supplies furnished, and services preformed in relation to his department, subsequent to the 1st of January, 1782, before which time all transactions in paper money had ceased, and contracts and dealings had begun to be wholly carried on in specie, and to discharge demands upon the United States on account of supplies, and accommodations to the officers of the American army, in captivity during the late war.

The sums due on the former account were understood, when incurred, to be immediately, or in a short time, payable in specie, in many instances by special contract, in others, from the course of the business. The then Quartermaster General alleges, and the allegation is supported by some evidence, that he and his assistants, relying on being enabled to make due payment, have rendered themselves, in a number of cases, personally answerable for its being done.

The sums due on the latter account, have been understood to be payable in like manner with those due on the former. Assurances to this effect have been repeatedly given, and correspondent expectations have been entertained by those to whom

the money is due. The said late Commissary of prisoners appears to have made himself personally liable, in some instances, and represents, that he has done it in all.

Such having been the nature of both these species of claims, warrants in the usual course were issued by the Superintendent of Finance on the Receivers of the States of Rhode Island, New-York, and Delaware; which warrants not being satisfied, by reason of the want of means, were afterwards returned into the treasury by the officers to whom they were granted.

It has happened, that several persons have brought in the certificates they received from the Quartermaster General and his deputies, to the commissioner for settling the accounts of that department, to be cancelled, and have received other certificates in lieu of them, which now constitute a part of the general debt. To what extent this has been done is not ascertained, nor can be so, without going over an immense mass of cancelled papers.

It does not appear, that this circumstance has attended the class of claims relating to prisoners.

If an appropriation should be made, it can only operate for the benefit of those who have never made a different election, by accepting in exchange the certificates alluded to. It is a rule necessary to be maintained in all cases, that, whenever such an election has been made, the parties shall be concluded by it.

In respect to those claims which remain as they originally stood, the Secretary is of opinion that they ought to be discharged in specie. And he is informed, that they have always been considered in this light at the treasury, though the embarrassments of the finances have unavoidably postponed the payment.

The expenses which have been incurred, in relation to the treaties contemplated by the acts of Congress of the 22d of October, 1787, and 2d of July, 1788, appear to exceed the sums which have been actually advanced on account of them. This excess is not finally ascertained. The expediency of an appropriation equal to the sum remaining unpaid of the grant of the 2d of July, to answer such further demands as may be liqui-

dated and admitted in the course of the treasury, is respectfully submitted.

An estimate of the probable expense of a treaty with the Indians of the Wabash and Miami rivers, is inserted, in order that a provisional reservation of a competent sum may be made, if it should be judged eligible.

The statement respecting the warrants issued, by the late Board of Treasury, is intended as explanatory of the disposition of the sum of one hundred and ninety thousand dollars, appropriated by the act of the 29th day of September last, towards discharging those warrants.

In regard to the debt due to foreign officers, the Scretary begs leave to submit to the House of Representatives the expediency of directing the same to be paid out of the loan of twelve millions of dollars, which is authorized by the act of the fourth instant, making provision for the public debt. In addition to other cogent inducements for paying off this debt, is the circumstance, that it bears an interest of *six per cent.* payable in *Europe.*

It will occur to the House of Representatives, that all the revenues which shall exist, at the close of the present session, are appropriated to the payment of the interest of the public debt, subject to such priorities and reservations as may result from appropriations heretofore made, or those which may be made during the present session. Hence it will be perceived to be necessary to reserve and appropriate, before the termination of the session, such proportion of the revenues which have accrued, or may be expected to accrue, in the course of the present year, as may be sufficient to satisfy, not only the demands on the treasury already established, but those which are likely to be established in the progress of the adjustments of depending claims, resulting from transactions of the former Government. A reservation and appropriation of fifty thousand dollars, for this purpose, will probably be found convenient.

The Secretary begs leave further to state, that there is a probability of a surplus, of about one million of dollars, accruing from the duties now in operation, to the end of the present year,

over and above all the sums for which appropriations have been heretofore made, and are now proposed. And to submit it as his opinion, that it will be expedient to authorize the application of this surplus to purchases of the public debt in the market.

As long as these purchases can be made at rates below the true value of the stock, there will be an absolute gain of all the difference to the Government. And very considerable savings to the nation will result from raising the price of stock by this operation; inasmuch as foreigners must pay a higher price for what they buy.

It may even be worthy of consideration, whether authority ought not to be given to extend the purchases beyond the limit of that surplus upon a credit not exceeding a certain *specified* and short term, relying for this purpose on the aid of loans.

In the execution of an arrangement of this nature, due regard may be had to the possibility that the *collection* of the duties accruing in the ensuing year, may not keep pace with the demand for paying the yearly interest.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

RENEWAL OF FINAL SETTLEMENT CERTIFICATES.

Communicated to the House of Representatives, August 7, 1790.

TREASURY DEPARTMENT, August 5th, 1790.

The Secretary of the Treasury having considered the petition of Jacob Rash, referred to him on the 29th day of June last, respectfully reports:

That the reasons which induced the late Congress of the United States to grant a renewal of continental loan-office certificates, destroyed through accident, appear of equal weight in

regard to other evidences of the public debt which have been the subjects of similar casualty.

That justice to the petitioner, therefore, seems to require that an opportunity of renewing his certificates be granted to him; and, as there are several applications of the same nature, it is respectfully suggested, that it will be expedient to provide by law for administering relief to all who shall be found similarly circumstanced, under the following cautionary regulations, which are, in most particulars, the same as those provided in the case of loan-office certificates, so far as they will apply to the different species and circumstances of the certificates.

1st. That the certificates renewed be issued to those who shall appear to have been the holders of them at the time they were destroyed, or, if dead, to their legal representatives.

2d. That the certificates destroyed be advertised in the newspapers of the State where the accident happened, and in the State where they were issued; which advertisement shall be continued six weeks, and shall contain the numbers, dates, sums, names in which the certificates were taken out, and the time when, the place where, and the means by which, the same were destroyed.

3d. That a copy of the advertisement be lodged in the office of the Commissioner of Loans within the State, in which the certificates alleged to have been destroyed were issued, together with such testimony as can be procured, ascertaining the time when, the place where, and the means by which, the destruction happened; which copies and testimonies shall be duly certified by the said commissioner, to be laid, by the party claiming the renewal, before the Comptroller of the treasury, who shall finally decide on the sufficiency thereof.

4th. That the party claiming the renewal, enter into bond to the United States, with two or more sufficient freeholders as sureties (their sufficiency to be judged of by the said Comptroller) in double the amount of the value of the certificates claimed to be renewed, with condition to indemnify the United States against the holders of the certificates said to be destroyed, should any such afterwards appear.

5th. That no certificates be renewed before the expiration of three months after the publication of the advertisement above mentioned, and that there be an endorsement on each renewed certificate, signifying that the same was issued in lieu of one destroyed by accident, and describing the original.

In regard to certificates which have not been destroyed by accident, but which have either been lost or captured, or otherwise taken away, it appears extremely difficult to devise any mode of relief to the sufferers which will not subject the United States to so much hazard of imposition and injury, as to render the expediency of it questionable. If the House should, nevertheless, be of opinion that justice requires it, it may be granted under the same regulations which are proposed in respect to certificates destroyed.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

PUBLIC CREDIT.

Communicated to the House of Representatives, December 13, 1790.

TREASURY DEPARTMENT, December 13, 1790.

In obedience to the order of the House of Representatives, of the ninth day of August last, requiring the Secretary of the Treasury to prepare and report on this day, such further provision as may, in his opinion, be necessary for establishing the public credit, the said Secretary respectfully reports:

That the object which appears to be most immediately essential to the further support of public credit, in pursuance of the plan adopted during the last session of Congress, is the establishment of proper and sufficient funds for paying the interest which will begin to accrue, after the year one thousand seven hundred

and ninety-one, on the amount of the debts of the several States, assumed by the United States, having regard at the same time to the probable or estimated deficiency in those already established, as they respect the original debt of the Union.

In order to this, it is necessary, in the first place, to take a view of the sums requisite for those purposes.

The amount which has been assumed, of the State debts, is - - - - -	$21,500,000 00
The sum of annual interest upon that amount, which, according to the terms of the proposed loan, will begin to accrue after the year one thousand seven hundred and ninety-one, is -	$788,333 33
The estimated deficiency in the funds already established, as they respect the original debt of the United States, is -	38,291 40
Making, together	$826,624 73

For procuring which sum, the reiterated reflections of the Secretary have suggested nothing so eligible and unexceptionable, in his judgment, as a further duty on foreign distilled spirits, and a duty on spirits distilled within the United States, to be collected in the mode delineated in the plan of a bill, which forms part of his report to the House of Representatives, of the ninth day of January last.

Under this impression, he begs leave, with all deference, to propose to the consideration of the House—

That the following additions be made to the duties on distilled spirits imported from foreign countries, which are specified in the act making further provision for the payment of the debts of the United States, namely:

On those of the first class of proof, therein mentioned, per gallon, eight cents;

On those of the second class, per gallon, eight and a half cents;

On those of the third class, per gallon, nine cents;

On those of the fourth class, per gallon, ten cents;

On those of the fifth class, per gallon, ten cents;

On those of the sixth class, per gallon, fifteen cents.

And that the following duties be laid on spirits distilled within the United States, namely:

If from molasses, sugar, or other foreign materials, and of the first class of proof, per gallon, eleven cents;

Of the said second class of proof, per gallon, twelve cents;

Of the said third class of proof, per gallon, thirteen cents;

Of the said fourth class of proof, per gallon, fifteen cents;

Of the said fifth class of proof, per gallon, twenty cents;

Of the said sixth class of proof, per gallon, thirty cents.

If from materials of the growth or production of the United States, distilled within any city, town, or village, and

Of the said first class of proof, per gallon, nine cents;

Of the said second class of proof, per gallon, ten cents;

Of the said third class of proof, per gallon, eleven cents;

Of the said fourth class of proof, per gallon, thirteen cents;

Of the said fifth class of proof, per gallon, seventeen cents;

Of the said sixth class of proof, per gallon, twenty-five cents.

And upon each still employed in distilling spirits from the like materials, in any other place than a city, town, or village, in lieu of the rates above mentioned, the yearly sum of sixty cents for every gallon, English wine measure, of the capacity of such still, including its head: exempting, nevertheless, all such stills, within a certain defined dimension, as are used essentially for domestic purposes of their respective proprietors.

The product of these several duties (which correspond in their rates with those proposed in the report above referred to, of the ninth of January last) may, upon as good grounds as the nature of the case will admit, prior to an experiment, be computed at eight hundred and seventy-seven thousand and five hundred dollars, the particulars of which computation are contained in the statement which accompanies this report.

This computed product exceeds the sum which has been stated as necessary to be provided, by fifty thousand eight hundred and seventy-five dollars and twenty-seven cents; an excess

which, if it should be realized by the actual product, may be beneficially applied towards increasing the sinking fund.

The Secretary has been encouraged to renew the proposition of these duties, in the same form in which they were before submitted, from a belief, founded on circumstances which appeared in the different discussions of the subject, that collateral considerations, which were afterwards obviated, rather than objections to the measure itself, prevented its adoption, during the last session; from the impracticability, which he conceives to exist, of devising any substitute equally conducive to the ease and interest of the community; and from an opinion that the extension of the plan of collection, which it contemplates, to the duties already imposed on wines and distilled spirits, is necessary to a well-grounded reliance on their efficacy and productiveness.

The expediency of improving the resource of distilled spirits, as an article of revenue, to the greatest practicable extent, has been noticed upon another occasion. Various considerations might be added to those then adduced, to evince it, but they are too obvious to justify the detail. There is scarcely an attitude in which the object can present itself, which does not invite, by all the inducements of sound policy and public good, to take a strong and effectual hold of it.

The manner of doing it, or, in other words, the mode of collection, appears to be the only point about which a difficulty or question can arise. If that suggested be liable to just objections, the united information and wisdom of the legislative body insure the substitution of a more perfect plan.

The Secretary, however, begs leave to remark, that there appear to him two leading principles, one or the other of which must necessarily characterize whatever plan may be adopted. One of them makes the *security* of the *revenue* to depend chiefly on the *vigilance* of the *public officers;* the other rests it essentially on the *integrity* of the *individuals* interested to avoid the payment of it.

The first is the basis of the plan submitted by the Secretary; the last has pervaded most, if not all the systems, which have hitherto been practised upon, in different parts of the United

States. The oaths of the dealers have been almost the only security for their compliance with the laws.

It cannot be too much lamented, that these have been found an inadequate dependence. But experience has, on every trial, manifested them to be such. Taxes or duties, relying for their collection on that security, wholly, or almost wholly, are uniformly unproductive. And they cannot fail to be unequal, as long as men continue to be discriminated by unequal portions of rectitude. The most conscientious will pay most; the least conscientious, least.

The impulse of interest, always sufficiently strong, acts with peculiar force in matters of this kind, in respect to which, a loose mode of thinking is too apt to prevail. The want of a habit of appreciating, properly, the nature of the public rights, renders that impulse, in such cases, too frequently an overmatch for the sense of obligation, and the evasions which are perceived, or suspected to be practised by some, prompt others to imitation, by the powerful motive of self-defence. They infer that they must follow the example, or be unable to maintain an advantageous competition in the business—an alternative very perplexing to all but men of exact probity, who are thereby rendered, in a great measure, victims to a principle of legislation which does not sufficiently accord with the bias of human nature. And thus the laws become sources of discouragement and loss to honest industry, and of profit and advantage to perjury and fraud. It is a truth that cannot be kept too constantly in view, that all revenue laws which are so constructed as to involve a lax and defective execution, are instruments of oppression to the most meritorious part of those on whom they immediately operate, and of additional burthens on the community at large.

The last effect is produced in two ways. The deficiencies in the funds (which, in the main, afford only partial exemptions) must be supplied from other taxes, and the charges of collection, which, in most cases, are nearly the same, whether a tax or duty yield much or little, occasion an accumulation of the ultimate expense of furnishing a given sum to the treasury.

Another, and a very serious evil, chargeable on the system

opposite to that proposed, is, that it leads to frequent and familiar violations of oaths, which, by loosening one of the strongest bands of society, and weakening one of the principal securities to life and property, offends, not less against the maxims of good government and sound policy, than against those of religion and morality.

It may not be improper further to remark, that the two great objections to the class of duties denominated excises, are inapplicable to the plan suggested. These objections are, first, the *summary jurisdiction* confided to the officers of excise, in derogation from the course of the common law, and the right of trial by jury; and, secondly, the general power vested in the same officers, of *visiting and searching, indiscriminately*, the houses, stores, and other buildings, of the dealers in excised articles. But, by the plan proposed, the officers to be employed are to be clothed with no such *summary* jurisdiction, and their *discretionary* power of visiting and searching, is to be restricted to those places which the dealers themselves shall designate, by public insignia or marks, as the depositories of the articles on which the duties are to be laid. Hence, it is one of the recommendations of the plan, that it is not liable to those objections.

Duties of the kind proposed are not novel in the United States, as has been intimated in another place. They have existed, to a considerable extent, under several of the State Governments, particularly in Massachusetts, Connecticut, and Pennsylvania. In Connecticut, a State exemplary for its attachment to popular principles, not only all ardent spirits, but foreign articles of consumption, generally, have been the subjects of an excise or inland duty.

If the supposition, that duties of this kind are attended with greater expense in the collection, than taxes on lands, should seem an argument for preferring the latter, it may be observed that the fact ought not too readily to be taken for granted. The state of things in England, is sometimes referred to as an example on this point, but, there, the smallness of the expense in the collection of the land tax, is to be ascribed to the peculiar modification of it, which, proceeding without new assessments, accord-

ing to a fixed standard, long since adjusted, totally disregards the comparative value of lands, and the variations in their value. The consequence of this is, an inequality so palpable and extreme, as would be likely to be ill relished by the landholders of the United States. If, in pursuit of greater equality, accurate periodical valuations or assessments are to afford a rule, it may well be doubted whether the expense of a land tax will not always exceed that of the kind of duties proposed. The ingenious, but fallacious hypothesis, that all taxes on consumption fall, finally, with accumulated weight, on land, is now too generally and too satisfactorily exploded to require to be combated here. It has become an acknowledged truth, that, in the operation of those taxes, every species of capital and industry contribute their proportion to the revenue, and, consequently, that, as far as they can be made substitutes for taxes on lands, they serve to exempt them from an undue share of the public burthen.

Among other substantial reasons which recommend, as a provision for the public debt, duties upon articles of consumption, in preference to taxes on houses and lands, is this: It is very desirable, if practicable, to reserve the latter fund for objects and occasions which will more immediately interest the sensibility of the whole community, and more directly affect the public safety. It will be a consolatory reflection, that so capital a resource remains untouched by that provision, which, while it will have a very material influence in favor of public credit, will, also, be conducive to the tranquillity of the public mind, in respect to external danger, and will really operate as a powerful guarantee of peace. In proportion as the estimation of our resources is exalted in the eyes of foreign nations, their respect for us must increase, and this must beget a proportionable caution, neither to insult nor injure us with levity; while, on the contrary, the appearance of exhausted resources (which would, perhaps, be a consequence of mortgaging the revenue to be derived from land, for the interest of the public debt) might tend to invite both insult and injury, by inspiring an opinion that our efforts to resent or repel them were little to be dreaded.

It may not be unworthy of reflection, that, while the idea of

residuary resources, in so striking a particular, cannot fail to have many beneficial consequences, the suspension of taxes on real estate can as little fail to be pleasing to the mass of the community; and it may reasonably be presumed, that so provident a forbearance on the part of the Government, will insure a more cheerful acquiescence on that of the class of the community immediately to be affected, whenever experience and the exigency of conjunctures shall dictate a resort to that species of revenue.

But, in order to be at liberty to pursue this salutary course, it is indispensable that an efficacious use should be made of those articles of consumption which are the most proper and most productive, to which class distilled spirits very evidently belong; and a prudent energy will be requisite, as well in relation to the mode of collection, as to the quantum of the duty.

It need scarcely be observed, that the duties on the great mass of imported articles have reached a point which it would not be expedient to exceed. There is at least satisfactory evidence that they cannot be extended further, without contravening the sense of the body of the merchants; and, though it is not to be admitted as a general rule, that this circumstance ought to conclude against the expediency of a public measure, yet, when due regard is had to the disposition which that enlightened class of our citizens has manifested towards the National Government; to the alacrity with which they have hitherto seconded its operations; to the accommodating temper with which they look forward to those additional impositions on the objects of trade, which are to commence with the ensuing year; and to the greatness of the innovation, which, in this particular, has already taken place in the former state of things; there will be perceived to exist the most solid reasons against lightly passing the bounds which coincide with their impressions of what is reasonable and proper. It would be, in every view, inauspicious to give occasion for a supposition that trade alone is destined to feel the immediate weight of the hands of Government, in every new emergency of the treasury.

However true, as a general position, that the consumer pays the duty, yet, it will not follow, that trade may not be essen-

tially distressed and injured, by carrying duties on importations to a height which is disproportionate to the mercantile capital of a country. It may not only be the cause of diverting too large a share of it from the exigencies of business, but, as the requisite advances to satisfy the duties, will, in many, if not in most cases, precede the receipts from the sale of the articles on which they are laid, the consequence will often be sacrifices which the merchant cannot afford to make.

The inconveniences of exceeding the proper limit, in this respect, which will be felt every where, will fall with particular severity on those places which have not the advantage of public banks, and which abound least in pecuniary resources. Appearances do not justify such an estimate of the extent of the mercantile capital of the United States as to encourage to material accumulations on the already considerable rates of the duties on the mass of foreign importation.

Another motive for caution on this point arises from the reflection that the effect of an important augmentation, made by a law of the last session, is, hitherto, a mere matter of speculative calculation, and has not yet even begun to be tried.

It is presumable, too, that a still further augmentation would have an influence the reverse of favorable to the public credit. The operation would be apt to be regarded as artificial, as destitute of solidity, as presenting a numerical increase, but involving an actual diminution of revenue. The distrust of the efficacy of the present provision might also be accompanied with a doubt of a better substitute hereafter. The inference would not be unnatural, that a defect of other means, or an inability to command them, could alone have given birth to so unpromising an effort to draw all from one source.

A diversification of the nature of the funds is desirable on other accounts. It is clear that less dependence can be placed on one species of funds, and that, too, liable to the vicissitude of the continuance or interruption of foreign intercourse, than from a variety of different funds, formed by the union of internal with external objects.

The inference from these various and important considerations

seems to be, that the attempt to extract wholly, from duties on imported articles, the sum necessary to a complete provision for the public debt, would probably be both deceptive and pernicious—incompatible with the interests not less of revenue than of commerce; that resources of a different kind must, of necessity, be explored; and that the selection of the most fit objects is the only thing which ought to occupy inquiry.

Besides the establishment of supplementary funds, it is requisite to the support of the public credit that those established should stand on a footing which will give all reasonable assurance of their effectual collection.

Among the articles enumerated in the act making *further provision for the payment of the debt of the United States*, there are two, wines and teas, in regard to which, some other regulations than have yet been adopted, seem necessary for the security of the revenue, and desirable for the accommodation of the merchant.

With these views it is submitted, that the term for the payment of the duties on wines be enlarged, as it respects Madeira wines, to eighteen months; and as it respects other wines, to nine months; and that they be collected on a plan similar to that proposed in relation to imported distilled spirits.

And that a third option (two being allowed by the present law) be given to the importers of teas, which shall be, to give bond, without security, for the amount of the duty in each case, payable in two years, upon the following terms:

The teas to be deposited, at the expense and risk of the importer, in storehouses, to be agreed upon between him and the proper officer of the revenue; each storehouse having two locks, the key of one of which to be in the custody of the importer, or his agent; and the key of the other of which, to be in the custody of an officer whose duty it shall be made to attend, at all reasonable times, for the purpose of deliveries.

These deliveries, whether for home sale, or for exportation to a foreign country, to be warranted by permits, from the chief officer of inspection of the place.

If for home sale, the permits to be granted after the duties shall have been paid, or secured to be paid.

When the amount of the duties shall not exceed one hundred dollars, four months to be allowed for payment. When it shall exceed one hundred dollars, and not exceed five hundred dollars, the term of payment to be eight months; and twelve months, whenever the amount shall exceed five hundred dollars: Provided, that the credit shall in no case extend beyond the period of two years, originally allowed for the entire sum. If the duties on the whole quantity deposited shall not have been paid, or secured to be paid, before the expiration of that time, it shall be lawful for the proper officer to cause a sale to be made of so much as shall be sufficient to discharge what shall remain unsatisfied. In every case, it shall be at the option of the party applying for the permit, either to pay the amount of duties on the quantity to be delivered, or to give bond for it, with one or more sureties, to the satisfaction of the officer whose province it shall be to grant the permits.

If the deliveries are to be made for exportation, the permits to be granted upon bond being entered into, to secure and ascertain the exportation. This may require some alterations of form, in the manner of proceeding, relatively to the exportation of this article.

All teas to be landed under the care of the inspectors of the revenue; the chests, and other packages containing them, to be marked; and certificates, which shall accompany them, be granted, as in the case of distilled spirits.

To these more direct expedients for the support of public credit, the institution of a national bank presents itself, as a necessary auxiliary. This the Secretary regards as an indispensable engine in the administration of the finances. To present this important object in a more distinct and more comprehensive light, he has concluded to make it the subject of a separate report.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

Estimate of the probable product of the funds proposed in the annexed report.

4,000,000 gallons of distilled spirits, imported from foreign countries, at 8 cents per gallon,	$320,000 00
3,500,000 gallons of spirits, distilled in the United States, from foreign materials, at 11 cents per gallon,	385,000 00
3,000,000 gallons of spirits, distilled from materials of the United States, at 9 cents per gallon,	270,000 00
Total dollars,	$975,000 00
Deduct for drawbacks, and expense of collecting, 10 per cent.	97,500 00
Net product,	$877,500 00

NATIONAL BANK.

Communicated to the House of Representatives, Dec. 14, 1790.

TREASURY DEPARTMENT, Dec. 13, 1790.

In obedience to the order of the House of Representatives, of the ninth day of August last, requiring the Secretary of the Treasury to prepare and report, on this day, such further provision as may, in his opinion, be necessary for establishing the public credit, the said Secretary further respectfully reports:

That, from a conviction (as suggested in his report herewith presented*) that a National Bank is an institution of primary importance to the prosperous administration of the finances, and

* See preceding Report.

would be of the greatest utility in the operations connected with the support of the public credit, his attention has been drawn to devising the plan of such an institution, upon a scale which will entitle it to the confidence, and be likely to render it equal to the exigencies of the public.

Previously to entering upon the detail of this plan, he entreats the indulgence of the House towards some preliminary reflections naturally arising out of the subject, which he hopes will be deemed neither useless nor out of place. Public opinion being the ultimate arbiter of every measure of government, it can scarcely appear improper, in deference to that, to accompany the origination of any new proposition with explanations, which the superior information of those to whom it is immediately addressed, would render superfluous.

It is a fact, well understood, that public banks have found admission and patronage among the principal and most enlightened commercial nations. They have successively obtained in Italy, Germany, Holland, England, and France, as well as in the United States. And it is a circumstance which cannot but have considerable weight, in a candid estimate of their tendency, that after an experience of centuries, there exists not a question about their utility in the countries in which they have been so long established. Theorists and men of business unite in the acknowledgment of it.

Trade and industry, wherever they have been tried, have been indebted to them for important aid. And government has been repeatedly under the greatest obligations to them in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed.

With this twofold evidence before us, it might be expected that there would be a perfect union of opinions in their favor. Yet doubts have been entertained; jealousies and prejudices have circulated; and, though the experiment is every day dissipating them, within the spheres in which effects are best known, yet there are still persons by whom they have not been entirely

renounced. To give a full and accurate view of the subject, would be to make a treatise of a report; but there are certain aspects in which it may be cursorily exhibited, which may perhaps conduce to a just impression of its merits. These will involve a comparison of the advantages, with the disadvantages, real or supposed, of such institutions.

The following are among the principal advantages of a Bank:

First. The augmentation of the active or productive capital of a country. Gold and silver, when they are employed merely as the instruments of exchange and alienation, have been not improperly denominated dead stock; but when deposited in banks, to become the basis of a paper circulation, which takes their character and place, as the signs or representatives of value, they then acquire life, or, in other words, an active and productive quality. This idea, which appears rather subtile and abstract in a general form, may be made obvious and palpable, by entering into a few particulars. It is evident, for instance, that the money which a merchant keeps in his chest, waiting for a favorable opportunity to employ it, produces nothing till that opportunity arrives. But if, instead of locking it up in this manner, he either deposites it in a bank, or invests it in the stock of a bank, it yields a profit during the interval, in which he partakes, or not, according to the choice he may have made of being a depositor or a proprietor; and when any advantageous speculation offers, in order to be able to embrace it, he has only to withdraw his money, if a depositor, or, if a proprietor, to obtain a loan from the bank, or to dispose of his stock—an alternative seldom or never attended with difficulty, when the affairs of the institution are in a prosperous train. His money, thus deposited or invested, is a fund upon which himself and others can borrow to a much larger amount. It is a well established fact, that banks in good credit can circulate a far greater sum than the actual quantum of their capital in gold and silver. The extent of the possible excess seems indeterminate; though it has been conjecturally stated at the proportions of two and three to one. This faculty is produced in various ways. 1st. A great proportion of the notes which are issued, and pass current as cash, are

indefinitely suspended in circulation, from the confidence which each holder has, that he can, at any moment, turn them into gold and silver. 2dly. Every loan which a bank makes, is, in its first shape, a credit given to the borrower on its books, the amount of which it stands ready to pay, either in its own notes, or in gold or silver, at his option. But, in a great number of cases, no actual payment is made in either. The borrower, frequently, by a check or order, transfers his credit to some other person, to whom he has a payment to make; who, in his turn, is as often content with a similar credit, because he is satisfied that he can, whenever he pleases, either convert it into cash, or pass it to some other hand, as an equivalent for it. And in this manner the credit keeps circulating, performing in every stage the office of money, till it is extinguished by a discount with some person who has a payment to make to the bank, to an equal or greater amount. Thus large sums are lent and paid, frequently through a variety of hands, without the intervention of a single piece of coin. 3dly. There is always a large quantity of gold and silver in the repositories of the bank, besides its own stock, which is placed there, with a view partly to its safe keeping, and partly to the accommodation of an institution, which is itself a source of general accommodation. These deposites are of immense consequence in the operations of a bank. Though liable to be re-drawn at any moment, experience proves, that the money so much oftener changes proprietors than place, and that what is drawn out is generally so speedily replaced, as to authorize the counting upon the sums deposited, as an *effective fund*, which, concurring with the stock of the bank, enables it to extend its loans, and to answer all the demands for coin, whether in consequence of those loans, or arising from the occasional return of its notes.

These different circumstances explain the manner in which the ability of a bank to circulate a greater sum than its actual capital in coin is acquired. This, however, must be gradual, and must be preceded by a firm establishment of confidence—a confidence which may be bestowed on the most rational grounds, since the excess in question will always be bottomed on good

security of one kind or another. This, every well conducted bank carefully requires, before it will consent to advance either its money or its credit, and where there is an auxiliary capital (as will be the case in the plan hereafter submitted), which, together with the capital in coin, define the boundary that shall not be exceeded by the engagements of the bank, the security may, consistently with all the maxims of a reasonable circumspection, be regarded as complete.

The same circumstances illustrate the truth of the position, that it is one of the properties of banks to increase the active capital of a country. This, in other words, is the sum of them: the money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the bank for safe keeping, or invested in its stock, is in a condition to administer to the wants of others, without being put out of his own reach when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make use of it, and keeps the money itself in a state of incessant activity. In the almost infinite vicissitudes and competitions of mercantile enterprise, there never can be danger of an intermission of demand, or that the money will remain for a moment idle in the vaults of the bank. This additional employment given to money, and the faculty of a bank to lend and circulate a greater sum than the amount of its stock in coin, are, to all the purposes of trade and industry, an absolute increase of capital. Purchases and undertakings, in general, can be carried on by any given sum of bank paper or credit, as effectually as by an equal sum of gold and silver. And thus, by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth—a consequence as satisfactorily verified by experience, as it is clearly deducible in theory.

Secondly. Greater facility to the Government, in obtaining pecuniary aids, especially in sudden emergencies. This is another, and an undisputed advantage of public banks—one which, as already remarked, has been realized in signal instances among ourselves. The reason is obvious; the capitals of a great number of individuals are, by this operation, collected to a point, and

placed under one direction. The mass formed by this union, is, in a certain sense, magnified by the credit attached to it; and while this mass is always ready, and can at once be put in motion, in aid of the Government, the interest of the bank to afford that aid, independent of regard to the public safety and welfare, is a sure pledge for its disposition to go as far in its compliances as can in prudence be desired. There is, in the nature of things, as will be more particularly noticed in another place, an intimate connection of interest between the Government and the bank of a nation.

Thirdly. The facilitating of the payment of taxes. This advantage is produced in two ways. Those who are in a situation to have access to the bank, can have the assistance of loans, to answer, with punctuality, the public calls upon them. This accommodation has been sensibly felt in the payment of the duties heretofore laid by those who reside where establishments of this nature exist. This, however, though an extensive, is not a universal benefit. The other way in which the effect here contemplated is produced, and in which the benefit is general, is the increasing of the quantity of circulating medium, and the quickening of circulation. The manner in which the first happens, has already been traced. The last may require some illustration. When payments are to be made between different places, having an intercourse of business with each other, if there happen to be no private bills at market, and there are no bank notes which have a currency in both, the consequence is, that coin must be remitted. This is attended with trouble, delay, expense, and risk. If, on the contrary, there are bank notes current in both places, the transmission of these by the post, or any other speedy or convenient conveyance, answers the purpose; and these again, in the alternations of demand, are frequently returned, very soon after, to the place from whence they were first sent: whence the transportation and re-transportation of the metals are obviated, and a more convenient and more expeditious medium of payment is substituted. Nor is this all; the metals, instead of being suspended from their usual functions during this process of vibration from place to place, continue in activity,

and administer still to the ordinary circulation, which, of course, is prevented from suffering either diminution or stagnation. These circumstances are additional causes of what, in a practical sense, or to the purposes of business, may be called greater plenty of money. And it is evident, that whatever enhances the quantity of circulating money, adds to the ease with which every industrious member of the community may acquire that portion of it of which he stands in need, and enables him the better to pay his taxes, as well as to supply his other wants. Even where the circulation of the bank paper is not general, it must still have the same effect, though in a less degree. For, whatever furnishes additional supplies to the channels of circulation, in one quarter, naturally contributes to keep the streams fuller elsewhere. This last view of the subject serves both to illustrate the position that banks tend to facilitate the payment of taxes, and to exemplify their utility to business of every kind in which money is an agent.

It would be to intrude too much on the patience of the House, to prolong the details of the advantages of banks; especially, as all those which might still be particularized, are readily to be inferred as consequences from those which have been enumerated. Their disadvantages, real or supposed, are now to be reviewed. The most serious of the charges which have been brought against them, are,

That they serve to increase usury;

That they tend to prevent other kinds of lending;

That they furnish temptations to overtrading;

That they afford aid to ignorant adventurers, who disturb the natural and beneficial course of trade;

That they give to bankrupt and fraudulent traders, a fictitious credit, which enables them to maintain false appearances, and to extend their impositions; and, lastly,

That they have a tendency to banish gold and silver from the country.

There is great reason to believe, that, on a close and candid survey, it will be discovered that these charges are either destitute of foundation, or that, as far as the evils they suggest have

been found to exist, they have proceeded from other, or partial, or temporary causes, are not inherent in the nature and permanent tendency of such institutions, or are more than counterbalanced by opposite advantages. This survey shall be had, in the order in which the charges have been stated. The first of them, is—

That banks serve to increase usury.

It is a truth, which ought not to be denied, that the method of conducting business, which is essential to bank operations, has, among us, in particular instances, given occasion to usurious transactions. The punctuality in payment, which they necessarily exact, has sometimes obliged those who have adventured beyond both their capital and their *credit*, to procure money at any price, and, consequently, to resort to usurers for aid.

But experience and practice gradually bring a cure to this evil. A general habit of punctuality among traders, is the natural consequence of the necessity of observing it with the bank—a circumstance which, itself, more than compensates for any occasional ill which may have sprung from that necessity, in the particular under consideration. As far, therefore, as traders depend on each other for pecuniary supplies, they can calculate their expectations with greater certainty; and are in proportionably less danger of disappointments, which might compel them to have recourse to so pernicious an expedient as that of borrowing at usury; the mischiefs of which, after a few examples, naturally inspire great care, in all but men of desperate circumstances, to avoid the possibility of being subjected to them. One, and not the least of these evils, incident to the use of that expedient, if the fact be known, or even strongly suspected, is loss of credit with the bank itself.

The directors of a bank, too, though, in order to extend its business and its popularity, in the infancy of an institution, they may be tempted to go further in accommodation than the strict rules of prudence will warrant, grow more circumspect, of course, as its affairs become better established, and as evils of too great facility are experimentally demonstrated. They become more attentive to the situation and conduct of those with whom they

deal; they observe more narrowly their operations and pursuits; they economize the credit they give to those of suspicious solidity; they refuse it to those whose career is more manifestly hazardous. In a word, in the course of practice, from the very nature of things, the *interest* will make it the *policy* of a bank to succor the wary and industrious; to discredit the rash and unthrifty; to discountenance both usurious lenders and usurious borrowers.

There is a leading view, in which the tendency of banks will be seen to be to abridge, rather than to promote usury. This relates to their property of increasing the quantity and quickening the circulation of money. If it be evident, that usury will prevail or diminish, according to the proportion which the demand for borrowing bears to the quantity of money at market to be lent; whatever has the property just mentioned, whether it be in the shape of paper or coin, by contributing to render the supply more equal to the demand, must tend to counteract the progress of usury.

But bank lending, it is pretended, is an impediment to other kinds of lending; which, by confining the resource of borrowing to a particular class, leaves the rest of the community more destitute, and, therefore, more exposed to the extortions of usurers. As the profits of bank stock exceed the legal rate of interest, the possessors of money, it is urged, prefer investing it in that article to lending it at this rate; to which, there are the additional motives of a more prompt command of the capital, and of more frequent and exact returns, without trouble or perplexity in the collection. This constitutes the second charge which has been enumerated.

The fact on which this charge rests, is not to be admitted without several qualifications; particularly in reference to the state of things in this country.

First. The great bulk of the stock of a bank will consist of the funds of men in trade, among ourselves, and moneyed foreigners; the former of whom could not spare their capitals out of their reach, to be invested in loans for long periods, on mortgages or personal security; and the latter of whom would not be

willing to be subjected to the casualties, delays, and embarrassments, of such a disposition of their money in a distant country.

Secondly. There will always be a considerable proportion of those who are properly the money lenders of a country, who, from that spirit of caution which usually characterizes this description of men, will incline rather to vest their funds in mortgages on real estate, than in the stock of a bank, which they are apt to consider as a more precarious security.

These considerations serve, in a material degree, to narrow the foundation of the objection, as to the point of fact. But there is a more satisfactory answer to it. The effect supposed, as far as it has existence, is temporary. The reverse of it takes place in the general and permanent operation of the thing.

The capital of every public bank, will, of course, be restricted within a certain defined limit. It is the province of legislative prudence so to adjust this limit, that, while it will not be too contracted for the demand which the course of business may create, and for the security which the public ought to have for the solidity of the paper which may be issued by the bank, it will still be within the compass of the pecuniary resources of the community; so that there may be an easy practicability of completing the subscriptions to it. When this is once done, the supposed effect, of necessity, ceases. There is then no longer room for the investment of any additional capital. Stock may, indeed, change hands, by one person selling and another buying; but the money which the buyer takes out of the common mass to purchase the stock, the seller receives and restores to it. Hence, the future surplusses which may accumulate must take their natural course, and lending at interest must go on as if there were no such institution.

It must, indeed, flow in a more copious stream. The bank furnishes an extraordinary supply for borrowers, within its immediate sphere. A larger supply consequently remains for borrowers elsewhere. In proportion as the circulation of the bank is extended, there is an augmentation of the aggregate mass of money for answering the aggregate mass of demand. Hence greater facility in obtaining it for every purpose.

It ought not to escape without a remark, that, as far as the citizens of other countries become adventurers in the bank, there is a positive increase of the gold and silver of the country. It is true, that, from this, a half yearly rent is drawn back, accruing from the dividends upon the stock. But as this rent arises from the employment of the capital by our own citizens, it is probable that it is more than replaced by the profits of that employment. It is also likely that a part of it is, in the course of trade, converted into the products of our country: and it may even prove an incentive, in some cases, to emigration to a country in which the character of citizen is as easy to be acquired as it is estimable and important. This view of the subject furnishes an answer to an objection which has been deduced from the circumstance here taken notice of, namely, the income resulting to foreigners from the part of the stock owned by them, which has been represented as tending to drain the country of its specie. In this objection, the original investment of the capital, and the constant use of it afterwards, seem both to have been overlooked.

That banks furnish temptations to overtrading, is the third of the enumerated objections. This must mean, that, by affording additional aids to mercantile enterprise, they induce the merchant sometimes to adventure beyond the prudent or salutary point. But the very statement of the thing shows that the subject of the charge is an occasional ill, incident to a general good. Credit of every kind (as a species of which only, can bank lending have the effect supposed), must be, in different degrees, chargeable with the same inconvenience. It is even applicable to gold and silver, when they abound in circulation. But would it be wise, on this account, to decry the precious metals, to root out credit, or to proscribe the means of that enterprise which is the main spring of trade, and a principal source of national wealth, because it now and then runs into excesses, of which overtrading is one?

If the abuses of a beneficial thing are to determine its condemnation, there is scarcely a source of public prosperity which will not speedily be closed. In every case, the evil is to be com-

pared with the good; and in the present case such a comparison will issue in this, that the new and increased energies derived to commercial enterprise, from the aid of banks, are a source of general profit and advantage, which greatly outweigh the partial ills; the overtrading of a few individuals, at particular times, or of numbers in particular conjunctures.

The fourth and fifth charges may be considered together. These relate to the aid which is sometimes afforded by banks to unskilful adventurers and fraudulent traders. These charges, also, have some degree of foundation, though far less than has been pretended; and they add to the instances of partial ills, connected with more extensive and overbalancing benefits.

The practice of giving fictitious credit to improper persons, is one of those evils which experience, guided by interest, speedily corrects. The bank itself is in so much jeopardy of being a sufferer by it, that it has the strongest of all inducements to be on its guard. It may not only be injured immediately, by the delinquencies of the persons to whom such credit is given, but eventually by the incapacities of others, whom their impositions or failures may have ruined.

Nor is there much danger of a bank's being betrayed into this error from want of information. The directors themselves, being, for the most part, selected from the class of traders, are to be expected to possess, individually, an accurate knowledge of the characters and situations of those who come within that description. And they have, in addition to this, the course of dealing of the persons themselves with the bank, to assist their judgment, which is, in most cases, a good index of the state in which those persons are. The artifices and shifts, which those in desperate or declining circumstances are obliged to employ, to keep up the countenance which the rules of the bank require, and the train of their connections, are so many prognostics, not difficult to be interpreted, of the fate which awaits them. Hence, it not unfrequently happens, that banks are the first to discover the unsoundness of such characters, and, by withholding credit, to announce to the public that they are not entitled to it.

If banks, in spite of every precaution, are sometimes betrayed

into giving a false credit to the persons described, they more frequently enable honest and industrious men, of small, or, perhaps, of no capital, to undertake and prosecute business with advantage to themselves and to the community; and assist merchants, of both capital and credit, who meet with fortuitous and unforeseen shocks, which might, without such helps, prove fatal to them and to others, to make head against their misfortunes, and finally to retrieve their affairs—circumstances which form no inconsiderable encomium on the utility of banks.

But the last and heaviest charge is still to be examined: this is, that banks tend to banish the gold and silver of the country.

The force of this objection rests upon their being an engine of paper credit, which, by furnishing a substitute for the metals, is supposed to promote their exportation. It is an objection, which, if it has any foundation, lies not against banks peculiarly, but against every species of paper credit.

The most common answer given to it is, that the thing supposed is of little or no consequence; that it is immaterial what serves the purpose of money, whether paper, or gold and silver; that the effect of both upon industry is the same; and that the intrinsic wealth of a nation is to be measured, not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labor and industry.

This answer is not destitute of solidity, though not entirely satisfactory. It is certain, that the vivification of industry, by a full circulation, with the aid of a proper and well regulated paper credit, may more than compensate for the loss of a part of the gold and silver of a nation, if the consequence of avoiding that loss should be a scanty or defective circulation.

But the positive and permanent increase or decrease of the precious metals in the country, can hardly ever be a matter of indifference. As the commodity taken in lieu of every other, it is a species of the most effective wealth; and as the money of the world, it is of great concern to the State, that it possess a sufficiency of it to face any demands which the protection of its external interest may create.

The objection seems to admit of another and a more conclusive answer, which controverts the fact itself. A nation that has no mines of its own, must derive the precious metals from others; generally speaking, in exchange for the products of its labor and industry. The quantity it will possess, will, therefore, in the ordinary course of things, be regulated by the favorable or unfavorable balance of its trade; that is, by the proportion between its abilities to supply foreigners, and its wants of them; between the amount of its exportations and that of its importations. Hence, the state of its agriculture and manufactures, the quantity and quality of its labor and industry, must, in the main, influence and determine the increase or decrease of its gold and silver.

If this be true, the inference seems to be, that well constituted banks favor the increase of the precious metals. It has been shown that they augment, in different ways, the active capital of a country. This it is which generates employment; which animates and expands labor and industry. Every addition which is made to it, by contributing to put in motion a greater quantity of both, tends to create a greater quantity of the products of both; and, by furnishing more materials for exportation, conduces to a favorable balance of trade, and, consequently, to the introduction and increase of gold and silver.

This conclusion appears to be drawn from solid premises. There are, however, objections to be made to it.

It may be said, that, as bank paper affords a substitute for specie, it serves to counteract that rigorous necessity for the metals, as a medium of circulation, which, in the case of a wrong balance, might restrain, in some degree, their exportation; and it may be added, that, from the same cause, in the same case, it would retard those economical and parsimonious reforms in the manner of living, which the scarcity of money is calculated to produce, and which might be necessary to rectify such wrong balance.

There is, perhaps, some truth in both these observations; but they appear to be of a nature rather to form exceptions to the generality of the conclusion, than to overthrow it. The

state of things in which the *absolute exigencies* of circulation can be supposed to resist, with any effect, the urgent demands for specie which a wrong balance of trade may occasion, presents an *extreme case.* And a situation in which a too expensive manner of living of a community, compared with its means, can stand in need of a corrective, from distress or necessity, is one which, perhaps, rarely results but from extraordinary and adventitious causes; such, for example, as a national revolution; which unsettles all the established habits of the people, and inflames the appetite for extravagance, by the illusions of an ideal wealth, engendered by the continual multiplication of a depreciating currency, or some similar cause. There is a good reason to believe, that, where the laws are wise and well executed, and the inviolability of property and contracts maintained, the economy of a people will, in the general course of things, correspond with its means.

The support of industry is, probably in every case, of more consequence towards correcting a wrong balance of trade, than any practicable retrenchments in the expenses of families or individuals; and the stagnation of it would be likely to have more effect in prolonging, than any such savings in shortening, its continuance. That stagnation is a natural consequence of an inadequate medium, which, without the aid of bank circulation, would, in the cases supposed, be severely felt.

It also deserves notice, that, as the circulation is always in a compound ratio to the fund upon which it depends, and to the demand for it, and as that fund is itself affected by the exportation of the metals, there is no danger of its being overstocked, as in the case of paper issued at the pleasure of the Government, or of its preventing the consequences of any unfavorable balance from being sufficiently felt to produce the reforms alluded to, as far as circumstances may require and admit.

Nothing can be more fallible than the comparisons which have been made between different countries, to illustrate the truth of the position under consideration. The comparative quantity of gold and silver in different countries, depends upon

an infinite variety of facts and combinations, all of which ought to be known in order to judge whether the existence or non-existence of paper currencies has any share in the relative proportions they contain. The *mass* and *value* of the productions of the labor and industry of each, compared with its wants; the nature of its establishments abroad; the kind of wars in which it is usually engaged; the relations it bears to the countries which are the original possessors of those metals; the privileges it enjoys in their trade; these, and a number of other circumstances, are all to be taken into the account, and render the investigation too complex to justify any reliance on the vague and general surmises which have been hitherto hazarded on the point.

In the foregoing discussion, the objection has been considered as applying to the permanent expulsion and diminution of the metals. Their temporary exportation, for particular purposes, has not been contemplated. This, it must be confessed, is facilitated by banks, from the faculty they possess of supplying their place. But their utility is in nothing more conspicuous than in these very cases. They enable the Government to pay its foreign debts, and to answer any exigencies which the external concerns of the community may have produced. They enable the merchant to support his credit (on which the prosperity of trade depends), when special circumstances prevent remittances in other modes. They enable him also to prosecute enterprises which ultimately tend to an augmentation of the species of wealth in question. It is evident that gold and silver may often be employed in procuring commodities abroad, which, in a circuitous commerce, replace the original fund, with considerable addition. But it is not to be inferred, from this facility given to temporary exportation, that banks, which are so friendly to trade and industry, are, in their general tendency, inimical to the increase of the precious metals.

These several views of the subject appear sufficient to impress a full conviction of the utility of banks, and to demonstrate that they are of great importance, not only in relation to the adminis-

tration of the finances, but in the general system of the political economy.

The judgment of many concerning them, has, no doubt, been perplexed, by the misinterpretation of appearances which were to be ascribed to other causes. The general devastation of personal property, occasioned by the late war, naturally produced, on the one hand, a great demand for money, and, on the other, a great deficiency of it to answer the demand. Some injudicious laws, which grew out of the public distresses, by impairing confidence, and causing a part of the inadequate sum in the country to be locked up, aggravated the evil. The dissipated habits contracted by many individuals during the war, which, after the peace, plunged them into expenses beyond their incomes; the number of adventurers without capital, and, in many instances, without information, who at that epoch rushed into trade, and were obliged to make any sacrifices to support a transient credit; the employment of considerable sums in speculations upon the public debt, which, from its unsettled state, was incapable of becoming itself a substitute: all these circumstances concurring, necessarily led to usurious borrowing, produced most of the inconveniences, and were the true causes of most of the appearances, which, where banks were established, have been by some erroneously placed to their account—a mistake which they might easily have avoided by turning their eyes towards places where there were none, and where, nevertheless, the same evils would have been perceived to exist, even in a greater degree than where those institutions had obtained.

These evils have either ceased, or been greatly mitigated. Their more complete extinction may be looked for from that additional security to property which the Constitution of the United States happily gives (a circumstance of prodigious moment in the scale, both of public and private prosperity); from the attraction of foreign capital, under the auspices of that security, to be employed upon objects, and in enterprises, for which the state of this country opens a wide and inviting field; from the consistency and stability which the public debt is fast acquiring, as well in the public opinion at home and abroad, as in fact, from

the augmentation of capital which that circumstance and the quarter-yearly payment of interest will afford; and from the more copious circulation which will be likely to be created by a well constituted national bank.

The establishment of banks in this country seems to be recommended by reasons of a peculiar nature. Previously to the Revolution, circulation was in a great measure carried on by paper emitted by the several local governments. In Pennsylvania alone, the quantity of it was near a million and a half of dollars. This auxiliary may be said to be now at an end. And it is generally supposed that there has been, for some time past, a deficiency of circulating medium. How far that deficiency is to be considered as real or imaginary, is not susceptible of demonstration; but there are circumstances and appearances, which, in relation to the country at large, countenance the supposition of its reality.

The circumstances are, besides the fact just mentioned respecting paper emissions, the vast tracts of waste land, and the little advanced state of manufactures. The progressive settlement of the former, while it promises ample retribution, in the generation of future resources, diminishes or obstructs, in the mean time, the *active* wealth of the country. It not only draws off a part of the circulating money, and places it in a more passive state, but it diverts, into its own channels, a portion of that species of labor and industry which would otherwise be employed in furnishing materials for foreign trade, and which, by contributing to a favorable balance, would assist the introduction of specie. In the early periods of new settlements, the settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labor of others. The same thing is a cause that manufactures do not advance, or advance slowly. And notwithstanding some hypotheses to the contrary, there are many things to induce a suspicion, that the precious metals will not abound in any country which has not mines, or variety of manufactures. They have been sometimes acquired by the sword; but the modern system of war has expelled this resource, and it is one upon which it is to be hoped the United States will never be inclined to rely.

The appearances alluded to, are, greater prevalency of direct barter, in the more interior districts of the country, which, however, has been for some time past gradually lessening; and greater difficulty, generally, in the advantageous alienation of improved real estate; which, also, has of late diminished, but is still seriously felt in different parts of the Union. The difficulty of getting money, which has been a general complaint, is not added to the number; because it is the complaint of all times, and one in which imagination must ever have too great scope to permit an appeal to it.

If the supposition of such a deficiency be in any degree founded, and some aid to circulation be desirable, it remains to inquire what ought to be the nature of that aid.

The emitting of paper money by the authority of the Government is wisely prohibited to the individual States, by the national constitution; and the spirit of that prohibition ought not to be disregarded by the Government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable to the like emissions by the States, separately, yet they are of a nature so liable to abuse —and, it may even be affirmed, so certain of being abused— that the wisdom of the Government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In times of tranquillity, it might have no ill consequence; it might even perhaps be managed in a way to be productive of good: but, in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes, that a government in the practice of paper emissions would rarely fail, in any such emergency, to indulge itself too far in the employment of that resource, to avoid, as much as possible, one less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of the political economy.

Among other material differences between a paper currency, issued by the mere authority of Government, and one issued by a bank, payable in coin, is this: That, in the first case, there is no standard to which an appeal can be made, as to the quantity which will only satisfy, or which will surcharge the circulation: in the last, that standard results from the demand. If more should be issued than is necessary, it will return upon the bank. Its emissions, as elsewhere intimated, must always be in a compound ratio to the fund and the demand: whence it is evident, that there is a limitation in the nature of the thing; while the discretion of the Government is the only measure of the extent of the emissions, by its own authority.

This consideration further illustrates the danger of emissions of that sort, and the preference which is due to bank paper.

The payment of the interest of the public debt, at thirteen different places, is a weighty reason, peculiar to our immediate situation, for desiring a bank circulation. Without a paper, in general currency, equivalent to gold and silver, a considerable proportion of the specie of the country must always be suspended from circulation, and left to accumulate, preparatory to each day of payment; and as often as one approaches, there must in several cases be an actual transportation of the metals, at both expense and risk, from their natural and proper reservoirs, to distant places. This necessity will be felt very injuriously to the trade of some of the States; and will embarrass, not a little, the operations of the treasury in those States. It will also obstruct those negotiations, between different parts of the Union, by the instrumentality of treasury bills, which have already afforded valuable accommodations to trade in general.

Assuming it, then, as a consequence, from what has been said, that a National Bank is a desirable institution, two inquiries emerge: Is there no such institution, already in being, which has a claim to that character, and which supersedes the propriety or necessity of another? If there be none, what are the principles upon which one ought to be established?

There are at present three banks in the United States: that of North America, established in the city of Philadelphia; that

of New-York, established in the city of New-York; that of Massachusetts, established in the town of Boston. Of these three, the first is the only one which has at any time had a direct relation to the Government of the United States.

The Bank of North America originated in a resolution of Congress of the 26th of May, 1781, founded upon a proposition of the Superintendent of Finance, which was afterwards carried into execution by an ordinance of the 31st of December following, entitled "An ordinance to incorporate the subscribers to the Bank of North America."

The aid afforded to the United States by this institution, during the remaining period of the war, was of essential consequence; and its conduct towards them since the peace, has not weakened its title to their patronage and favor. So far, its pretensions to the character in question are respectable; but there are circumstances which militate against them, and considerations which indicate the propriety of an establishment on different principles.

The directors of this bank, on behalf of their constituents, have since *accepted*, and *acted* under, a new charter, from the State of Pennsylvania, materially variant from their original one, and which so narrows the foundation of the institution, as to render it an incompetent basis for the extensive purposes of a national bank.

The limit assigned by the ordinance of Congress to the stock of the bank, is ten millions of dollars. The last charter of Pennsylvania confines it to two millions. Questions naturally arise, whether there be not a direct repugnancy between two charters so differently circumstanced? and whether the acceptance of the one, is not to be deemed a virtual surrender of the other? But, perhaps it is neither advisable nor necessary to attempt a solution of them.

There is nothing in the acts of Congress which imply an exclusive right in the institution to which they relate, except during the term of the war. There is, therefore, nothing, if the public good require it, which prevents the establishment of another. It may, however, be incidentally remarked, that in the

general opinion of the citizens of the United States, the Bank of North America has taken the station of a bank of Pennsylvania only. This is a strong argument for a new institution, or for a renovation of the old, to restore it to the situation in which it originally stood in the view of the United States.

But, though the ordinance of Congress contains no grant of exclusive privileges, there may be room to allege, that the Government of the United States ought not, in point of candor and equity, to establish any rival or interfering institution, in prejudice of the one already established; especially as this has, from services rendered, well founded claims to protection and regard.

The justice of such an observation ought, within proper bounds, to be admitted. A new establishment of the sort ought not to be made without cogent and sincere reasons of public good. And, in the manner of doing it, every facility should be given to a consolidation of the old with the new, upon terms not injurious to the parties concerned. But there is no ground to maintain that, in a case in which the Government has made no condition restricting its authority, it ought voluntarily to restrict it, through regard to the interests of a particular institution, when those of the State dictate a different course; especially, too, after such circumstances have intervened, as characterize the actual situation of the Bank of North America.

The inducements to a new disposition of the thing are now to be considered. The first of them which occurs is, the, at least, ambiguous situation in which the Bank of North America has placed itself, by the acceptance of its last charter. If this has rendered it the mere bank of a particular State, liable to dissolution at the expiration of fourteen years, to which term the act of that State has restricted its duration, it would be neither fit nor expedient to accept it as an equivalent for a bank of the United States.

The restriction of its capital, also, which, according to the same supposition, cannot be extended beyond two millions of dollars, is a conclusive reason for a different establishment. So small a capital promises neither the requisite aid to Government, nor the requisite security to the community. It may answer

very well the purposes of local accommodation, but is an inadequate foundation for a circulation coextensive with the United States, embracing the whole of their revenues, and affecting every individual into whose hands the paper may come.

And, inadequate as such a capital would be to the essential ends of a National Bank, it is liable to being rendered still more so, by that principle of the constitution of the Bank of North America, contained equally in its old and in its new charter, which leaves the increase of the *actual* capital at any time (now far short of the allowed extent) to the discretion of the directors or stockholders. It is naturally to be expected, that the allurements of an advanced price of stock, and of large dividends, may disincline those who are interested to an extension of capital, from which they will be apt to fear a diminution of profits. And for this circumstance, the interest and accommodation of the public (as well individually as collectively), are made more subordinate to the interest, real or imagined, of the stockholders, than they ought to be. It is true, that, unless the latter be consulted, there can be no bank (in the sense at least in which institutions of this kind, worthy of confidence, can be established in this country). But, it does not follow that this alone is to be consulted, or that it even ought to be paramount. Public utility is more truly the object of public banks than private profit. And it is the business of Government to constitute them on such principles, that, while the latter will result in a sufficient degree to afford competent motives to engage in them, the former be not made subservient to it. To effect this, a principal object of attention ought to be to give free scope to the creation of an ample capital, and with this view, fixing the bounds which are deemed safe and convenient, to leave no discretion either to stop short of them, or to overpass them. The want of this precaution in the establishment of the Bank of North America, is a further and an important reason for desiring one differently constituted.

There may be room at first sight for a supposition, that, as the profits of a bank will bear a proportion to the extent of its operations, and as for this reason the interest of the stockholders will not be disadvantageously affected by any necessary aug-

mentations of capital, there is no cause to apprehend that they will be indisposed to such augmentations. But most men, in matters of this nature, prefer the certainties they enjoy, to probabilities depending on untried experiments, especially, when these promise rather that they will not be injured, than that they will be benefited.

From the influence of this principle, and a desire of enhancing its profits, the directors of a bank will be more apt to overstrain its faculties, in an attempt to face the additional demands which the course of business may create, than to set on foot new subscriptions, which may hazard a diminution of the profits, and even a temporary reduction of the price of stock.

Banks are among the best expedients for lowering the rate of interest in a country; but, to have this effect, their capitals must be completely equal to all the demands of business, and such as will tend to remove the idea, that the accommodations they afford are in any degree favors—an idea very apt to accompany the parsimonious dispensation of contracted funds. In this, as in every other case, the plenty of the commodity ought to beget a moderation of the price.

The want of a principle of rotation in the constitution of the Bank of North America is another argument for a variation of the establishment. Scarcely one of the reasons which militate against this principle in the constitution of a country, is applicable to that of a bank; while there are strong reasons in favor of it, in relation to the one, which do not apply to the other. The knowledge to be derived from experience is the only circumstance common to both, which pleads against rotation in the directing officers of a bank.

But the objects of the Government of a nation, and those of the government of a bank, are so widely different, as greatly to weaken the force of that consideration in reference to the latter. Almost every important case of legislation requires, towards a right decision, a general and accurate acquaintance with the affairs of the State, and habits of thinking seldom acquired but from a familiarity with public concerns. The administration of a bank, on the contrary, is regulated by a few simple fixed max-

ims, the application of which is not difficult to any man of judgment, especially if instructed in the principles of trade. It is, in general, a constant succession of the same details.

But, though this be the case, the idea of the advantages of experience is not to be slighted. Room ought to be left for the regular transmission of official information; and, for this purpose, the head of the direction ought to be excepted from the principle of rotation. With this exception, and with the aid of the information of the subordinate officers, there can be no danger of any ill effects from want of experience or knowledge; especially as the periodical exclusion ought not to reach the whole of the directors at one time.

The argument in favor of the principle of rotation is this: that, by lessening the danger of combinations among the directors, to make the institution subservient to party views, or to the accommodation, preferably, of any particular set of men, it will render the public confidence more firm, stable, and unqualified.

When it is considered that the directors of a bank are not elected by the great body of the community, in which a diversity of views will naturally prevail at different conjunctures, but by a small and select class of men, among whom it is far more easy to cultivate a steady adherence to the same persons and objects, and that those directors have it in their power so immediately to conciliate, by obliging the most influential of this class, it is easy to perceive that, without the principle of rotation, changes in that body can rarely happen, but as a concession which they may themselves think it expedient to make to public opinion.

The continual administration of an institution of this kind, by the same persons, will never fail, with or without cause, from their conduct, to excite distrust and discontent. The necessary secrecy of their transactions gives unlimited scope to imagination to infer that something is or may be wrong. And this *inevitable* mystery is a solid reason for inserting in the constitution of a bank the necessity of a change of men. As neither the mass of the parties interested, nor the public in general, can be permitted to be witnesses of the interior management of the directors, it is

reasonable that both should have that check upon their conduct, and that security against the prevalency of a partial or pernicious system, which will be produced by the certainty of periodical changes. Such, too, is the delicacy of the credit of a bank, that every thing which can fortify confidence and repel suspicion, without injuring its operations, ought carefully to be sought after in its formation.

A further consideration in favor of a change, is the improper rule by which the right of voting for directors is regulated in the plan upon which the Bank of North America was originally constituted, namely, a vote for each share, and the want of a rule in the last charter; unless the silence of it, on that point, may signify that every stockholder is to have an equal and a single vote; which would be a rule in a different extreme, not less erroneous. It is of importance that a rule should be established on this head, as it is one of those things which ought not to be left to discretion; and it is, consequently, of equal importance that the rule should be a proper one.

A vote for each share renders a combination between a few principal stockholders, to monopolize the power and benefits of the bank, too easy. An equal vote to each stockholder, however great or small his interest in the institution, allows not that degree of weight to large stockholders which it is reasonable they should have, and which, perhaps, their security and that of the bank require. A prudent mean is to be preferred. A conviction of this has produced a by-law of the corporation of the Bank of North America, which evidently aims at such a mean. But a reflection arises here, that a like majority with that which enacted this law, may, at any moment, repeal it.

The last inducement which shall be mentioned, is the want of precautions to guard against a foreign influence insinuating itself into the direction of the bank. It seems scarcely reconcilable with due caution, to permit that any but citizens should be eligible, as directors of a national bank, or that non-resident foreigners should be able to influence the appointment of directors by the votes of their proxies. In the event, however, of an incorporation of the Bank of North America in the plan, it may

be necessary to qualify this principle, so as to leave the right of foreigners, who now hold shares of its stock, unimpaired; but without the power of transmitting the privilege in question to foreign alliances.

It is to be considered that such a bank is not a mere matter of private property, but a political machine, of the greatest importance to the State.

There are other variations from the constitution of the Bank of North America, not of inconsiderable moment, which appear desirable, but which are not of magnitude enough to claim a preliminary discussion. These will be seen in the plan which will be submitted in the sequel.

If the objections which have been stated to the constitution of the Bank of North America are admitted to be well-founded, they will, nevertheless, not derogate from the merit of the main design, or of the services which that bank has rendered, or of the benefits which it has produced. The creation of such an institution, at the time it took place, was a measure dictated by wisdom. Its utility has been amply evinced by its fruits; American independence owes much to it. And it is very conceivable, that reasons of the moment may have rendered those features in it inexpedient, which a revision, with a permanent view, suggests as desirable.

The order of the subject leads next to an inquiry into the principles upon which a national bank ought to be organized.

The situation of the United States naturally inspires a wish that the form of the institution could admit of a plurality of branches. But various considerations discourage from pursuing this idea. The complexity of such a plan would be apt to inspire doubts, which might deter from adventuring in it. And the practicability of a safe and orderly administration, though not to be abandoned as desperate, cannot be made so manifest in perspective, as to promise the removal of those doubts, or to justify the Government in adopting the idea as an original experiment. The most that would seem advisable, on this point, is to insert a provision which may lead to it hereafter, if experience shall more clearly demonstrate its utility, and satisfy those

who may have the direction, that it may be adopted with safety. It is certain that it would have some advantages, both peculiar and important. Besides more general accommodation, it would lessen the danger of a run upon the bank.

The argument against it is, that each branch must be under a distinct, though subordinate direction, to which a considerable latitude of discretion must, of necessity, be intrusted. And, as the property of the whole institution would be liable for the engagements of each part, that and its credit would be at stake, upon the prudence of the directors of every part. The mismanagement of either branch might hazard serious disorder in the whole.

Another wish, dictated by the particular situation of the country, is, that the bank could be so constituted as to be made an immediate instrument of loans to the proprietors of land; but this wish also yields to the difficulty of accomplishing it. Land is, alone, an unfit fund for a bank circulation. If the notes issued upon it were not to be payable in coin, on demand, or at a short date, this would amount to nothing more than a repetition of the paper emissions, which are now exploded by the general voice. If the notes are to be payable in coin, the land must first be converted into it by sale, or mortgage. The difficulty of effecting the latter, is the very thing which begets the desire of finding another resource; and the former would not be practicable on a sudden emergency, but with sacrifices which would make the cure worse than the disease. Neither is the idea of constituting the fund partly of coin and partly of land, free from impediments. These two species of property do not, for the most part, unite in the same hands. Will the moneyed man consent to enter into a partnership with the landholder, by which *the latter* will share in the profits *which will be* made *by the money of the former?* The money, it is evident, will be the agent or efficient cause of the profits—the land can only be regarded as an additional security. It is not difficult to foresee, that a union, on such terms, will not readily be formed. If the landholders are to procure the money by sale or mortgage of a part of their lands, this they can as well do when the stock consists

wholly of money, as if it were to be compounded of money and land.

To procure for the landholders the assistance of loans, is the great desideratum. Supposing other difficulties surmounted, and a fund created, composed partly of coin and partly of land, yet the benefit contemplated could only then be obtained by the bank's advancing them its notes for the whole, or part, of the value of the lands they had subscribed to the stock. If this advance was small, the relief aimed at would not be given; if it was large, the quantity of notes issued would be a cause of *distrust;* and, if received at all, they would be likely to return speedily upon the bank for payment; which, after exhausting its coin, might be under a necessity of turning its lands into money, at any price that could be obtained for them, to the irreparable prejudice of the proprietors.

Considerations of public advantage suggest a further wish, which is—that the bank could be established upon principles, that would cause the profits of it to redound to the immediate benefit of the State. This is contemplated by many who speak of a national bank, but the idea seems liable to insuperable objections. To attach full confidence to an institution of this nature, it appears to be an essential ingredient in its structure, that it shall be under a *private* not a *public* direction—under the guidance of *individual interest*, not of *public policy;* which would be supposed to be, and, in certain emergencies, under a feeble or too sanguine administration, would really be, liable to being too much influenced by *public necessity.* The suspicion of this would, most probably, be a canker that would continually corrode the vitals of the credit of the bank, and would be most likely to prove fatal in those situations in which the public good would require that they should be most sound and vigorous. It would, indeed, be little less than a miracle, should the credit of the bank be at the disposal of the Government, if, in a long series of time, there was not experienced a calamitous abuse of it. It is true, that it would be the real interest of the Government not to abuse it; its genuine policy to husband and cherish it with the most guarded circumspection, as an inestimable

treasure. But what Government ever uniformly consulted its true interests in opposition to the temptations of momentary exigencies? What nation was ever blessed with a constant succession of upright and wise administrators?

The keen, steady, and, as it were, magnetic sense of their own interest as proprietors, in the directors of a bank, pointing invariably to its true pole—the prosperity of the institution—is the only security that can always be relied upon for a careful and prudent administration. It is, therefore, the only basis on which an enlightened, unqualified, and permanent confidence can be expected to be erected and maintained.

The precedents of the banks established in several cities of Europe, Amsterdam, Hamburgh, and others, may seem to militate against this position. Without a precise knowledge of all the peculiarities of their respective constitutions, it is difficult to pronounce how far this may be the case. That of Amsterdam, however, which we best know, is rather under a municipal than a governmental direction. Particular magistrates of the city, not officers of the republic, have the management of it. It is also a bank of deposit, not of loan, or circulation; consequently, less liable to abuse, as well as less useful. Its general business consists in receiving money for safe keeping, which, if not called for within a certain time, becomes a part of its stock, and irreclaimable. But a credit is given for it on the books of the bank, which, being transferable, answers all the purposes of money.

The directors being magistrates of the city, and the stockholders in general its most influential citizens, it is evident that the principle of private interest must be prevalent in the management of the bank. And it is equally evident, that, from the nature of its operations, that principle is less essential to it than to an institution constituted with a view to the accommodation of the public and individuals, by direct loans and a paper circulation.

As far as may concern the aid of the bank, within the proper limits, a good Government has nothing more to wish for than it will always possess, though the management be in the hands of private individuals. As the institution, if rightly constituted,

must depend for its renovation, from time to time, on the pleasure of the Government, it will not be likely to feel a disposition to render itself, by its conduct, unworthy of public patronage. The Government, too, in the administration of its finances, has it in its power to reciprocate benefits to the bank, of not less importance than those which the bank affords to the Government, and which, besides, are never unattended with an immediate and adequate compensation. Independent of these more particular considerations, the natural weight and influence of a good Government will always go far towards procuring a compliance with its desires; and, as the directors will usually be composed of some of the most discreet, respectable, and well-informed citizens, it can hardly ever be difficult to make them sensible of the force of the inducements which ought to stimulate their exertions.

It will not follow, from what has been said, that the State may not be the holder of a part of the stock of a bank, and consequently a sharer in the profits of it. It will only follow that it ought not to desire any participation in the direction of it, and, therefore, ought not to own the whole or a principal part of the stock; for, if the mass of the property should belong to the public, and if the direction of it should be in private hands, this would be to commit the interests of the State to persons not interested, or not enough interested in their proper management.

There is one thing, however, which the Government owes to itself and the community—at least, to all that part of it who are not stockholders—which is, to reserve to itself a right of ascertaining, as often as may be necessary, the state of the bank; excluding, however, all pretension to control. This right forms an article in the primitive constitution of the Bank of North America; and its propriety stands upon the clearest reasons. If the paper of a bank is to be permitted to insinuate itself into all the revenues and receipts of a country; if it is even to be tolerated as the substitute for gold and silver in all the transactions of business; it becomes, in either view, a national concern of the first magnitude. As such, the ordinary rules of prudence

require that the Government should possess the means of ascertaining, whenever it thinks fit, that so delicate a trust is executed with fidelity and care. A right of this nature is not only desirable, as it respects the Government, but it ought to be equally so to all those concerned in the institution, as an additional title to public and private confidence, and as a thing which can only be formidable to practices that imply mismanagement. The presumption must always be, that the characters who would be intrusted with the exercise of this right, on behalf of the Government, will not be deficient in the discretion which it may require; at least, the admitting this presumption cannot be deemed too great a return of confidence for that very large portion of it which the Government is required to place in the bank.

Abandoning, therefore, ideas which, however agreeable or desirable, are neither practicable nor safe, the following plan, for the constitution of a National Bank, is respectfully submitted to the consideration of the House.

1. The capital stock of the bank shall not exceed ten millions of dollars, divided into twenty-five thousand shares, each share being four hundred dollars; to raise which sum, subscriptions shall be opened on the first Monday of April next, and shall continue open until the whole shall be subscribed. Bodies politic as well as individuals may subscribe.

2. The amount of each share shall be payable, one-fourth in gold and silver coin, and three-fourths in that part of the public debt, which, according to the loan proposed by the act making provision for the debt of the United States, shall bear an accruing interest, at the time of payment, of six per centum per annum.

3. The respective sums subscribed shall be payable in four equal parts, as well specie as debt, in succession, and at the distance of six calendar months from each other; the first payment to be made at the time of subscription. If there shall be a failure in any subsequent payment, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

4. The subscribers to the bank, and their successors, shall be

incorporated, and shall so continue until the final redemption of that part of its stock which shall consist of the public debt.

5. The capacity of the corporation to hold real and personal estate, shall be limited to fifteen millions of dollars, including the amount of its capital, or original stock. The lands and tenements which it shall be permitted to hold, shall be only such as shall be requisite for the immediate accommodation of the institution, and such as shall have been bona fide mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted, in the usual course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts.

6. The totality of the debts of the company, whether by bond, bill, or other contract (credits for deposites excepted), shall never exceed the amount of its capital stock. In case of excess, the directors, under whose administration it shall happen, shall be liable for it in their private or separate capacities. Those who may have dissented may excuse themselves from this responsibility, by immediately giving notice of the fact, and their dissent, to the President of the United States, and to the stockholders, at a general meeting, to be called by the President of the bank, at their request.

7. The company may sell or demise its lands and tenements, or may sell the whole, or any part of the public debt, whereof its stock shall consist; but shall *trade* in nothing except bills of exchange, gold and silver bullion, or in the sale of goods pledged for money lent; nor shall take more than at the rate of six per centum per annum, upon its loans or discounts.

8. No loan shall be made by the bank for the use, or on account, of the Government of the United States, or of either of them, to an amount exceeding fifty thousand dollars, or of any foreign prince or State, unless previously authorized by a law of the United States.

9. The stock of the bank shall be transferable, according to such rules as shall be instituted by the company in that behalf.

10. The affairs of the bank shall be under the management of twenty-five directors, one of whom shall be the President; and there shall be, on the first Monday of January, in each year,

a choice of directors, by a plurality of suffrages of the stockholders, to serve for a year. The directors, at their first meeting after each election, shall choose one of their number as President.

11. The number of votes to which each stockholder shall be entitled, shall be according to the number of shares he shall hold, in the proportions following, that is to say: For one share, and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote; but no person, copartnership, or body politic, shall be entitled to a greater number than thirty votes. And, after the first election, no share or shares shall confer a right of suffrage, which shall not have been holden three calendar months previous to the day of election. Stockholders actually resident within the United States, and none other, may vote in the elections by proxy.

12. Not more than three-fourths of the directors in office, exclusive of the President, shall be eligible for the next succeeding year. But the director who shall be President at the time of an election, may always be re-elected.

13. None but a stockholder, being a citizen of the United States, shall be eligible as a director.

14. Any number of stockholders not less than sixty, who, together, shall be proprietors of two hundred shares, or upwards, shall have power, at any time, to call a general meeting of the stockholders, for purposes relative to the institution; giving at least six weeks' notice, in two public gazettes, of the place where the bank is kept, and specifying, in such notice, the object of the meeting.

15. In case of the death, resignation, absence from the United States, or removal, of a director, by the stockholders, his place may be filled by a new choice for the remainder of the year.

16. No director shall be entitled to any emolument, unless the same shall have been allowed by the stockholders at a general meeting. The stockholders shall make such compensation

to the President, for his extraordinary attendance at the bank, as shall appear to them reasonable.

17. Not less than seven directors shall constitute a board for the transaction of business.

18. Every cashier or treasurer, before he enters on the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than twenty thousand dollars, with condition for his good behavior.

19. Half-yearly dividends shall be made of so much of the profits of the bank, as shall appear to the directors advisable. And, once in every three years, the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid, after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of profit, if any, after deducting losses and dividends.

20. The bills and notes of the bank, originally made payable, or which shall have become payable, on demand, in gold and silver coin, shall be receivable in all payments to the United States.

21. The officer at the head of the Treasury Department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the bank, and of the debts due to the same, of the moneys deposited therein, of the notes in circulation, and of the cash in hand; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statements; provided that this shall not be construed to imply a right of inspecting the account of any private individual or individuals, with the bank.

22. No similar institution shall be established by any future act of the United States, during the continuance of the one hereby proposed to be established.

23. It shall be lawful for the directors of the bank to establish offices wheresoever they shall think fit, within the United States, for the purposes of discount and deposit only, and upon the

same terms, and in the same manner, as shall be practised at the bank, and to commit the management of the said offices, and the making of the said discounts, either to agents specially appointed by them, or to such persons as may be chosen by the stockholders residing at the place where any such office shall be, under such agreements, and subject to such regulations, as they shall deem proper, not being contrary to law, or to the constitution of the bank.

24. And lastly, the President of the United States shall be authorized to cause a subscription to be made to the stock of the said company, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the moneys which shall be borrowed by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States;" and the other, entitled "An act making provision for the reduction of the public debt;" borrowing of the bank an equal sum, to be applied to the purposes for which the said moneys shall have been procured, reimbursable in ten years, by equal annual instalments; or at any time sooner, or in any greater proportions, that the Government may think fit.

The reasons for the several provisions contained in the foregoing plan, have been so far anticipated, and will, for the most part, be so readily suggested by the nature of those provisions, that any comments which need further to be made, will be both few and concise.

The combination of a portion of the public debt, in the formation of the capital, is the principal thing of which an explanation is requisite. The chief object of this is to enable the creation of a capital sufficiently large to be the basis of an extensive circulation, and an adequate security for it. As has been elsewhere remarked, the original plan of the Bank of North America contemplated a capital of ten millions of dollars, which is certainly not too broad a foundation for the extensive operations to which a national bank is destined. But to collect such a sum in this country, in gold and silver, into one depository, may, without hesitation, be pronounced impracticable. Hence the necessity of an auxiliary, which the public debt at once presents.

This part of the fund will always be ready to come in aid of the specie; it will more and more command a ready sale; and can, therefore, expeditiously be turned into coin, if an exigency of the bank should at any time require it. This quality of prompt convertibility into coin, renders it an equivalent for that necessary agent of bank circulation, and distinguishes it from a fund in land, of which the sale would generally be far less compendious, and at great disadvantage. The quarter-yearly receipts of interest will also be an actual addition to the specie fund, during the intervals between them and the half yearly dividends of profits. The objection to combining land with specie, resulting from their not being generally in possession of the same persons, does not apply to the debt, which will always be found in considerable quantity among the moneyed and trading people.

The debt composing part of the capital, besides its collateral effect in enabling the bank to extend its operations, and consequently to enlarge its profits, will produce a direct annual revenue of six per centum for the Government, which will enter into the half-yearly dividends received by the stockholders.

When the present price of the public debt is considered, and the effect which its conversion into bank stock, incorporated with a specie fund, would, in all probability, have to accelerate its rise to the proper point, it will easily be discovered, that the operation presents, in its outset, a very considerable advantage to those who may become subscribers; and from the influence which that rise would have on the general mass of the debt, a proportional benefit to all the public creditors, and, in a sense which has been more than once adverted to, to the community at large.

There is an important fact, which exemplifies the fitness of the public debt for a bank fund, and which may serve to remove doubts in some minds on this point: it is this, that the Bank of England, in its first erection, rested wholly on that foundation. The subscribers to a loan to Government of one million two hundred thousand pounds sterling, were incorporated as a bank, of which the debt, created by the loan and the interest upon it,

were the sole fund. The subsequent augmentations of its capital, which now amounts to between eleven and twelve millions of pounds sterling, have been of the same nature.

The confining of the right of the bank to contract debts to the amount of its capital, is an important precaution, which is not to be found in the constitution of the Bank of North America, and which, while the fund consists wholly of coin, would be a restriction attended with inconveniences, but would be free from any, if the composition of it should be such as is now proposed. The restriction exists in the establishment of the Bank of England, and, as a source of security, is worthy of imitation. The consequences of exceeding the limit, there, is, that each stockholder is liable for the excess, in proportion to his interest in the bank. When it is considered that the directors owe their appointments to the choice of the stockholders, a responsibility of this kind, on the part of the latter, does not appear unreasonable; but, on the other hand, it may be deemed a hardship upon those who may have dissented from the choice. And there are many among us, whom it might perhaps discourage from becoming concerned in the institution. These reasons have induced the placing of the responsibility upon the directors by whom the limit prescribed should be transgressed.

The interdiction of loans on account of the United States, or of any particular State, beyond the moderate sum specified, or of any foreign Power, will serve as a barrier to Executive encroachments, and to combinations inauspicious to the safety, or contrary to the policy of the Union.

The limitation of the rate of interest is dictated by the consideration, that different rates prevail in different parts of the Union; and as the operations of the bank may extend through the whole, some rule seems to be necessary. There is room for a question, whether the limitation ought not rather to be to five than to six per cent., as proposed. It may, with safety, be taken for granted, that the former rate would yield an ample dividend, perhaps as much as the latter, by the extension which it would give to business. The natural effect of low interest is to increase trade and industry; because undertakings of every

kind can be prosecuted with greater advantage. This is a truth generally admitted; but it is requisite to have analyzed the subject in all its relations, to be able to form a just conception of the extent of that effect. Such an analysis cannot but satisfy an intelligent mind, that the difference of one per cent. in the rate at which money may be had, is often capable of making an essential change for the better in the situation of any country or place.

Every thing, therefore, which tends to lower the rate of interest, is peculiarly worthy of the cares of legislators. And though laws, which violently sink the legal rate of interest greatly below the market level, are not to be commended, because they are not calculated to answer their aim, yet, whatever has a tendency to effect a reduction, without violence to the natural course of things, ought to be attended to and pursued. Banks are among the means most proper to accomplish this end; and the moderation of the rate at which their discounts are made, is a material ingredient towards it; with which their own interest, viewed on an enlarged and permanent scale, does not appear to clash.

But, as the most obvious ideas are apt to have greater force than those which depend on complex and remote combinations, there would be danger that the persons whose funds must constitute the stock of the bank, would be diffident of the sufficiency of the profits to be expected, if the rate of loans and discounts were to be placed below the points to which they have been accustomed, and might, on this account, be indisposed to embarking in the plan. There is, it is true, one reflection, which, in regard to men, actively engaged in trade, ought to be a security against this danger; it is this: That the accommodations which they might derive in the way of their business, at a low rate, would more than indemnify them for any difference in the dividend, supposing even that some diminution of it were to be the consequence. But, upon the whole, the hazard of contrary reasoning among the mass of moneyed men, is a powerful argument against the experiment. The institutions of the kind already existing, add to the difficulty of making it. Mature reflection

and a large capital, may, of themselves, lead to the desired end.

The last thing which requires any explanatory remark, is, the authority proposed to be given to the President, to subscribe the amount of two millions of dollars on account of the public. The main design of this is, to enlarge the specie fund of the bank, and to enable it to give a more early extension to its operations. Though it is proposed to borrow with one hand what is lent with the other, yet the disbursement of what is borrowed, will be progressive, and bank notes may be thrown into circulation, instead of the gold and silver. Besides, there is to be an annual reimbursement of a part of the sum borrowed, which will finally operate as an actual investment of so much specie. In addition to the inducements to this measure, which results from the general interest of the Government to enlarge the sphere of the utility of the bank, there is this more particular consideration, to wit: That, as far as the dividend on the stock shall exceed the interest paid on the loan, there is a positive profit.

The Secretary begs leave to conclude with this general observation: That, if the Bank of North America shall come forward with any propositions which have for their objects, the engrafting upon that institution, the characteristics which shall appear to the Legislature necessary to the due extent and safety of a National Bank, there are, in his judgment, weighty inducements to giving every reasonable facility to the measure. Not only the pretensions of that institution, from its original relation to the Government of the United States, and from the services it has rendered, are such as to claim a disposition favorable to it, if those who are interested in it are willing, on their part, to place it on a footing satisfactory to the Government, and equal to the purposes of a bank of the United States, but its co-operation would materially accelerate the accomplishment of the great object, and the collision, which might otherwise arise, might, in a variety of ways, prove equally disagreeable and injurious. The incorporation or union here contemplated, may be effected in different modes, under the auspices of an act of the United States, if it shall be desired by the Bank of North America,

upon terms which shall appear expedient to the Government.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ESTIMATES FOR 1791.

Communicated to the House of Representatives, January 6, 1791.

TREASURY DEPARTMENT, January 6, 1791.

The Secretary of the Treasury respectfully reports to the House of Representatives, the estimates herewith transmitted, Nos. 1, 2, 3, and 4.

The first relating to the civil list, or the expenditure for the support of Government, during the year 1791, amounting to - - - - -		$299,276 53
The second exhibiting some additional objects of expenditure, arising out of the laws for collecting the duties on imports and tonnage, for making provision for the public debt, for the maintenance and support of light-houses, &c., and for executing certain surveys of land, amounting to - - - - - - - - -		50,756 07
The third, relating to the Department of War, showing the stated expenditure of that department for a year,	202,179 46	
The probable extra expense of the late expedition under General Harmar,	100,000 00	
The amount of military pensions for a year, - - - - - - - -	87,463 60.6	
Pay and subsistence to sundry offices, for which no appropriation has yet been made, - - - - - -	556 48	
		390,199 54.6
Amounting together to		$740,232 14.6

As appears by No. 4, which contains a summary of the three preceding ones; and shows in one view the total sum of, as above stated, for which an appropriation is requisite.

The funds now at the disposal of the Legislature for this purpose, are the 600,000 dollars reserved annually out of the duties on imports and tonnage, by the act making provision for the debt of the United States, for the support of the Government thereof, and certain surplusses arising on former appropriations for the current service, in consequence of over estimates, and some other circumstances.

It is probable, that these two sources will be equal to the object; but, as the amount of those surplusses is not yet definitely ascertained, it appears to be expedient that the appropriation should embrace some additional resource.

The product, during this year, of whatever duties may be laid in the present session, as a further provision for the public debt, may with propriety be resorted to for the purpose; as the interest, which will be payable on the amount of the State debts, assumed by the United States, will not begin to accrue till after the end of the year; and it is calculated that the product of the duties, within each year, will be adequate to the payment of the interest of such year.

The Secretary begs leave to remind the House of Representatives, that no provision has been made for payment of interest to the foreign officers, beyond the year 1788. In his report of the 5th day of August last, he submitted the expediency of discharging the principal of their debt, which bears an interest of six per centum per annum, payable in Paris: but the advanced period of the session prevented a discussion of the matter. The propriety of this measure, and the necessity of a provision for the interest, are again humbly submitted.

The Secretary also begs leave to state to the House, that representations have been made to him, by several of the Commissioners of Loans, respecting the extraordinary expense occasioned to them, in the first instance, in the execution of the act making provision for the debt of the United States, and the inadequateness of their compensation. Considerations relative to the public

service, as well as the officers themselves, require an acknowledgment that these representations are not without foundation.

The quantity and pressure of business which arise in receiving subscriptions, in liquidating and cancelling the old certificates, and issuing new ones in their stead; in counting and examining the old bills of credit; in making entries and furnishing returns to the treasury, necessarily require much additional clerkship; the expense of which, united with that of providing different sets of books, and other stationery in considerable quantity, must, in some cases, exhaust nearly, if not altogether, the whole salaries of the officers, and in others so considerable a part of them, as to leave a very incompetent recompense for the services to be performed.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

DUTIES ON IMPORTS.

Communicated to the House of Representatives, January 7, 1791.

TREASURY DEPARTMENT, January 7, 1791.

SIR:

In addition to the papers transmitted yesterday, I have the honor to enclose you two abstracts of the duties on imports into the United States; one exhibiting the sum received from the commencement of the operation of the impost act, to the 30th of September, 1789; and the other showing, as far as the returns have been transmitted, the sum received for one year following that day.

None of the collectors have yet furnished their returns for the last quarter of the year 1790, for want of time, it is presumed, to make them up.

I have the honor to be, with the greatest respect, sir, your most obedient and most humble servant,

ALEXANDER HAMILTON,
Secretary of the Treasury.

Hon. F. A. MUHLENBERG, *Speaker of the House of Representatives.*

ON THE ESTABLISHMENT OF A MINT.

Communicated to the House of Representatives, January 28, 1791.

The Secretary of the Treasury having attentively considered the subject referred to him by the order of the House of Representatives, of the fifteenth of April last, relatively to the establishment of a Mint, most respectfully submits the result of his inquiries and reflections.

A plan for an establishment of this nature, involves a great variety of considerations—intricate, nice, and important. The general state of debtor and creditor; all the relations and consequences of price; the essential interests of trade and industry; the value of all property; the whole income, both of the state and of individuals, are liable to be sensibly influenced, beneficially or otherwise, by the judicious or injudicious regulation of this interesting object.

It is one, likewise, not more necessary than difficult to be rightly adjusted; one which has frequently occupied the reflections and researches of politicians, without having harmonized their opinions on some of the most important of the principles which enter into its discussion. Accordingly, different systems continue to be advocated, and the systems of different nations, after much investigation, continue to differ from each other.

But, if a right adjustment of the matter be truly of such nicety and difficulty, a question naturally arises, whether it may not be most advisable to leave things, in this respect, in the state in which they are? Why, might it be asked, since they have so long proceeded in a train which has caused no general sensation of inconvenience, should alterations be attempted, the precise effect of which cannot with certainty be calculated?

The answer to this question is not perplexing. The immense disorder which actually reigns in so delicate and important a concern, and the still greater disorder which is every moment possible, call loudly for a reform. The dollar originally contem-

plated in the money transactions of this country, by successive diminutions of its weight and fineness, has sustained a depreciation of five per cent., and yet the new dollar has a currency, in all payments in place of the old, with scarcely any attention to the difference between them. The operation of this in depreciating the value of property, depending upon past contracts; and, (as far as inattention to the alteration in the coin may be supposed to leave prices stationary) of all other property, is apparent. Nor can it require argument to prove that a nation ought not to suffer the value of the property of its citizens to fluctuate with the fluctuations of a foreign mint, and to change with the changes in the regulations of a foreign sovereign. This, nevertheless, is the condition of one which, having no coins of its own, adopts with implicit confidence those of other countries.

The unequal values allowed in different parts of the Union to coins of the same intrinsic worth; the defective species of them which embarrass the circulation of some of the States; and the dissimilarity in their several moneys of account; are inconveniencies, which, if not to be ascribed to the want of a national coinage, will at least be most effectually remedied by the establishment of one—a measure that will, at the same time, give additional security against impositions by counterfeit as well as by base currencies.

It was with great reason, therefore, that the attention of Congress, under the late Confederation, was repeatedly drawn to the establishment of a mint; and it is with equal reason that the subject has been resumed, now that the favorable change which has taken place in the situation of public affairs, admits of its being carried into execution.

But, though the difficulty of devising a proper establishment ought not to deter from undertaking so necessary a work, yet it cannot but inspire diffidence in one, whose duty it is made to propose a plan for the purpose, and may perhaps be permitted to be relied upon as some excuse for any errors which may be chargeable upon it, or for any deviations from sounder principles, which may have been suggested by others, or even in part acted upon by the former Government of the United States.

In order to a right judgment of what ought to be done, the following particulars require to be discussed.

1st. What ought to be the nature of the money unit of the United States?

2d. What the proportion between gold and silver, if coins of both metals are to be established?

3d. What the proportion and composition of alloy in each kind?

4th. Whether the expense of coinage shall be defrayed by the Government, or out of the material itself?

5th. What shall be the number, denominations, sizes, and devices of the coins?

6th. Whether foreign coins shall be permitted to be current or not; if the former, at what rate, and for what period?

A prerequisite to determining with propriety, what ought to be the money unit of the United States, is to endeavor to form as accurate an idea as the nature of the case will admit, of what it actually is. The pound, though of various value, is the unit in the money account of all the States. But it is not equally easy to pronounce what is to be considered as the unit in the coins. There being no formal regulation on the point (the resolutions of Congress of the 6th July, 1785 and 8th of August, 1786, having never yet been carried into operation), it can only be inferred from usage or practice. The manner of adjusting foreign exchanges, would seem to indicate the dollar as best entitled to that character. In these, the old piaster of Spain, or old Seville piece of eight *reals*, of the value of four shillings and six-pence sterling, is evidently contemplated. The computed par between Great Britain and Pennsylvania, will serve as an example. According to that, one hundred pounds sterling is equal to one hundred and sixty-six pounds and two-thirds of a pound, Pennsylvania currency; which corresponds with the proportion between 4*s.* 6*d.* sterling, and 7*s.* 6*d.* the current value of the dollar in that State, by invariable usage. And, as far as the information of the Secretary goes, the same comparison holds in the other States.

But this circumstance in favor of the dollar, loses much of its

weight from two considerations. That species of coin has never had any settled or standard value, according to weight or fineness, but has been permitted to circulate by tale, without regard to either, very much as a mere money of convenience, while gold has had a fixed price by weight, and with an eye to its fineness. This greater stability of value of the gold coins is an argument of force for regarding the money unit as having been hitherto virtually attached to gold, rather than to silver.

Twenty-four grains and six-eighths of a grain of fine gold have corresponded with the nominal value of the dollar in the several States, without regard to the successive diminutions of its intrinsic worth.

But, if the dollar should, notwithstanding, be supposed to have the best title to being considered as the present unit in the coins, it would remain to determine what kind of dollar ought to be understood; or, in other words, what precise quantity of fine silver.

The old piaster of Spain, which appears to have regulated our foreign exchanges, weighed 17 dwt. 12 grains, and contained 386 grains and 15 mites of fine silver. But this piece has been long since out of circulation. The dollars now in common currency, are of recent date, and much inferior to that, both in weight and fineness. The average weight of them, upon different trials, in large masses, has been found to be 17 dwt. 8 grains. Their fineness is less precisely ascertained; the results of various assays, made by different persons, under the direction of the late Superintendent of the Finances, and of the Secretary, being as various as the assays themselves. The difference between their extremes is not less than 24 grains in a dollar of the same weight and age; which is too much for any probable differences in the pieces. It is rather to be presumed, that a degree of inaccuracy has been occasioned by the want of proper apparatus, and, in general, of practice. The experiment which appears to have the best pretensions to exactness would make the new dollar to contain 370 grains and 933 thousandth parts of a grain of pure silver.

According to an authority on which the Secretary places reli-

ance, the Standard of Spain, for its silver coin, in the year 1761, was 261 parts fine, and 27 parts alloy; at which proportion, a dollar of 17 dwt. 8 grains, would consist of 377 grains of fine silver, and 39 grains of alloy. But there is no question that this standard has been since altered considerably for the worse: to what precise point, is not as well ascertained as could be wished; but, from a computation of the value of dollars in the markets both of Amsterdam and London (a criterion which cannot materially mislead), the new dollar appears to contain about 368 grains of fine silver, and that which immediately preceded it about 374 grains.

In this state of things, there is some difficulty in defining the dollar which is to be understood as constituting the present money unit, on the supposition of its being most applicable to that species of coin. The old Seville piece of 386 grains and 15 mites fine, comports best with the computations of foreign exchanges, and with the more ancient contracts respecting landed property; but far the greater number of contracts still in operation concerning that kind of property, and all those of a merely personal nature, now in force, must be referred to a dollar of a different kind. The actual dollar, at the time of contracting, is the only one which can be supposed to have been intended; and it has been seen, that, as long ago as the year 1761, there had been a material degradation of the standard. And even in regard to the more ancient contracts, no person has ever had any idea of a scruple about receiving the dollar of the day as a full equivalent for the nominal sum which the dollar originally imported.

A recurrence, therefore, to the ancient dollar, would be in the greatest number of cases an innovation *in fact*, and in all, an innovation, in respect to opinion. The actual dollar in common circulation, has evidently a much better claim to be regarded as the actual money unit.

The mean intrinsic value of the different kinds of known dollars, has been intimated as affording the proper criterion. But, when it is recolleeted that the more ancient and more valuable ones are not now to be met with at all in circulation, and that

the mass of those generally current, is composed of the newest and most inferior kinds, it will be perceived that even an equation of that nature, would be a considerable innovation upon the real present state of things; which it will certainly be prudent to approach, as far as may be consistent with the permanent order designed to be introduced.

An additional reason for considering the prevailing dollar as the standard of the present money unit, rather than the ancient one, is, that it will not only be conformable to the true existing proportion between the two metals in this country, but will be more conformable to that which obtains in the commercial world generally.

The difference established by custom in the United States between coined gold and coined silver, has been stated upon another occasion, to be nearly as 1 to 15.6. This, if truly the case, would imply that gold was extremely overvalued in the United States: for the highest *actual proportion* in any part of Europe, very little, if at all, exceeds 1 to 15; and the average proportion throughout Europe, is probably not more than about 1 to 14½. But that statement has proceeded upon the idea of the ancient dollar. One pennyweight of gold of twenty-two carats fine, at 6*s.* 8*d.*, and the old Seville piece of 386 grains and 15 mites of pure silver, at 7*s.* 6*d.*, furnish the exact ratio of 1 to 15.6262. But this does not coincide with the real difference between the metals in our market, or, which is with us the same thing, in our currency. To determine this, the quantity of fine silver in the general mass of the dollars now in circulation, must afford the rule. Taking the rate of the late dollar of 374 grains, the proportion would be as 1 to 15.11. Taking the rate of the newest dollar, the proportion would then be as 1 to 14.87. The mean of the two would give the proportion of 1 to 15 very nearly; less than the legal proportions in the coins of Great Britain, which is as 1 to 15.2; but somewhat more than the actual or market proportion, which is not quite 1 to 15.

The preceding view of the subject does not indeed afford a precise or certain definition of the present unit in the coins, but it furnishes data which will serve as guides in the progress of the

investigation. It ascertains, at least, that the sum in the money of account of each State, corresponding with the nominal value of the dollar in such State, corresponds also with 24 grains and $\frac{4}{9}$ of a grain, of fine gold; and with something between 368 and 374 grains of fine silver.

The next inquiry towards a right determination of what ought to be the future money unit of the United States, turns upon these questions: Whether it ought to be peculiarly attached to either of the metals, in preference to the other, or not; and, if to either, to which of them?

The suggestions and proceedings, hitherto, have had for object, the annexing of it emphatically to the silver dollar. A resolution of Congress, of the 6th of July, 1785, declares that the money unit of the United States shall be a dollar; and another resolution of the 8th of August, 1786, fixes that dollar at 375 grains and 64 hundredths of a grain of fine silver. The same resolution, however, determines, that there shall also be two gold coins, one of 246 grains and 268 parts of a grain of pure gold, equal to ten dollars, and the other of half that quantity of pure gold, equal to five dollars: And it is not explained, whether either of the two species of coins, of gold or silver, shall have any greater legality in payments, than the other. Yet it would seem that a preference in this particular is necessary to execute the idea of attaching the unit exclusively to one kind. If each of them be as valid as the other, in payments to any amount, it is not obvious in what effectual sense either of them can be deemed the money unit, rather than the other.

If the general declaration, that the dollar shall be the money unit of the United States, could be understood to give it a superior legality in payments, the institution of coins of gold, and the declaration that each of them shall be *equal* to a certain number of dollars, would appear to destroy that inference: And the circumstance of making the dollar the unit in the money of account, seems to be rather matter of form than of substance.

Contrary to the ideas which have heretofore prevailed, in the suggestions concerning a coinage for the United States, though not without much hesitation, arising from a deference for

those ideas, the Secretary is, upon the whole, strongly inclined to the opinion, that a preference ought to be given to neither of the metals, for the money unit. Perhaps, if either were to be preferred, it ought to be gold rather than silver.

The reasons are these:

The inducement to such a preference is to render the unit as little variable as possible; because on this depends the steady value of all contracts, and, in a certain sense, of all other property. And, it is truly observed, that if the unit belong indiscriminately to both the metals, it is subject to all the fluctuations that happen in the relative value which they bear to each other. But the same reason would lead to annexing it to that particular one, which is itself the least liable to variation, if there be, in this respect, any discernible difference between the two.

Gold may, perhaps, in certain senses, be said to have greater stability than silver: as, being of superior value, less liberties have been taken with it, in the regulations of different countries. Its standard has remained more uniform, and it has in other respects, undergone fewer changes: as, being not so much an article of merchandise, owing to the use made of silver in the trade with the East Indies and China, it is less liable to be influenced by circumstances of commercial demand. And if, reasoning by analogy, it could be affirmed, that there is a physical probability of greater proportional increase in the quantity of silver than in that of gold, it would afford an additional reason for calculating on greater steadiness in the value of the latter.

As long as gold, either from its intrinsic superiority as a metal, from its greater rarity, or from the prejudices of mankind, retains so considerable a pre-eminence in value over silver, as it has hitherto had, a natural consequence of this seems to be that its condition will be more stationary. The revolutions, therefore, which may take place in the comparative value of gold and silver, will be changes in the state of the latter, rather than in that of the former.

If there should be an appearance of too much abstraction in any of these ideas, it may be remarked, that the first and most simple impressions do not naturally incline to giving a preference to the inferior or least valuable of the two metals.

It is sometimes observed, that silver ought to be encouraged rather than gold, as being more conducive to the extension of bank circulation, from the greater difficulty and inconvenience which its greater bulk, compared with its value, occasions in the transportation of it. But bank circulation is desirable, rather as *an auxiliary to*, than as *a substitute for* that of the precious metals, and ought to be left to its natural course. Artificial expedients to extend it, by opposing obstacles to the other, are, at least, not recommended by any very obvious advantages. And, in general, it is the safest rule to regulate every particular institution or object, according to the principles which, in relation to itself, appear the most sound. In addition to this, it may be observed, that the inconvenience of transporting either of the metals, is sufficiently great to induce a preference of bank paper, whenever it can be made to answer the purpose equally well.

But, upon the whole, it seems to be most advisable, as has been observed, not to attach the unit exclusively to either of the metals; because this cannot be done effectually, without destroying the office and character of one of them as money, and reducing it to the situation of a mere merchandise; which, accordingly, at different times, has been proposed from different and very respectable quarters; but which would, probably, be a greater evil than occasional variations in the unit, from the fluctuations in the relative value of the metals; especially, if care be taken to regulate the proportion between them, with an eye to their average commercial value.

To annul the use of either of the metals, as money, is to abridge the quantity of circulating medium, and is liable to all the objections which arise from a comparison of the benefits of a full, with the evils of a scanty circulation.

It is not a satisfactory answer to say, that none but the favored metal would, in this case, find its way into the country, as in that all balances must be paid. The practicability of this would, in some measure, depend on the abundance or scarcity of it in the country paying. Where there was but little, it either would not be procurable at all, or it would cost a premium to obtain it; which, in every case of a competition with others, in

a branch of trade, would constitute a deduction from the profits of the party receiving. Perhaps, too, the embarrassments which such a circumstance might sometimes create, in the pecuniary liquidation of balances, might lead to additional efforts to find a substitute in commodities, and might so far impede the introduction of the metals. Neither could the exclusion of either of them be deemed, in other respects, favorable to commerce. It is often, in the course of trade, as desirable to possess the kind of money, as the kind of commodities best adapted to a foreign market.

It seems, however, most probable, that the chief, if not the sole effect of such a regulation, would be to diminish the utility of one of the metals. It could hardly prove an obstacle to the introduction of that which was excluded in the natural course of trade; because it would always command a ready sale, for the purpose of exportation to foreign markets. But such an effect, if the only one, is not to be regarded as a trivial inconvenience.

If, then, the unit ought not to be attached exclusively to either of the metals, the proportion which ought to subsist between them, in the coins, becomes a preliminary inquiry, in order to its proper adjustment. This proportion appears to be, in several views, of no inconsiderable moment.

One consequence of overvaluing either metal, in respect to the other, is the banishment of that which is undervalued. If two countries are supposed, in one of which, the proportion of gold to silver is as 1 to 16, in the other as 1 to 15, gold being worth more, silver less, in one than in the other, it is manifest, that, in their reciprocal payments, each will select that species which it values least, to pay to the other, where it is valued most. Besides this, the dealers in money will, from the same cause, often find a profitable traffic in an exchange of the metals between the two countries. And hence it would come to pass, if other things were equal, that the greatest part of the gold would be collected in one, and the greatest part of the silver in the other. The course of trade might, in some degree, counteract the tendency of the difference in the legal proportions, by the market value; but this is so far and so often

influenced by the legal rates, that it does not prevent their producing the effect which is inferred. Facts, too, verify the inference: In Spain and England, where gold is rated higher than in other parts of Europe, there is a scarcity of silver; while it is found to abound in France and Holland, where it is rated higher, in proportion to gold, than in the neighboring nations. And it is continually flowing from Europe to China and the East Indies, owing to the comparative cheapness of it in the former, and dearness of it in the latter.

This consequence is deemed by some not very material; and there are even persons, who, from a fanciful predilection to gold, are wiling to invite it, even by a higher price. But general utility will best be promoted by a due proportion of both metals. If gold be most convenient in large payments, silver is best adapted to the more minute and ordinary circulation.

But it is to be suspected, that there is another consequence more serious than the one which has been mentioned. This is the diminution of the total quantity of specie which a country would naturally possess.

It is evident that, as often as a country, which overrates either of the metals, receives a payment in that metal, it gets a less actual quantity than it ought to do, or than it would do, if the rate were a just one.

It is also equally evident, that there will be a continual effort to make payment to it in that species, to which it has annexed an exaggerated estimation, wherever it is current at a less proportional value. And it would seem to be a very natural effect of these two causes, not only that the mass of the precious metals in the country in question, would consist chiefly of that kind, to which it had given an extraordinary *value*, but that it would be absolutely less, than if they had been duly proportioned to each other.

A conclusion of this sort, however, is to be drawn with great caution. In such matters, there are always some local and many other particular circumstances, which qualify and vary the operation of general principles, even where they are just; and there are endless combinations, very difficult to be analyzed, which

often render principles, that have the most plausible pretensions, unsound and delusive.

There ought, for instance, according to those which have been stated, to have been formerly a greater quantity of gold in proportion to silver in the United States, than there has been; because the actual value of gold in this country, compared with silver, was perhaps higher than in any other. But our situation with regard to the West Indian islands, into some of which there is a large influx of silver directly from the mines of South America, occasions an extraordinary supply of that metal, and consequently a greater proportion of it in our circulation, than might have been expected from its relative value.

What influence the proportion under consideration may have upon the state of prices, and how far this may counteract its tendency to increase or lessen the quantity of the metals, are points not easy to be developed; and yet they are very necessary to an accurate judgment of the true operation of the thing.

But, however impossible it may be to pronounce with certainty, that the possession of a less quantity of specie is a consequence of overvaluing either of the metals, there is enough of probability in the considerations which seem to indicate it, to form an argument of weight against such overvaluation.

A third ill consequence resulting from it is, a greater and more frequent disturbance of the state of the money unit, by a greater and more frequent diversity between the legal and market proportions of the metals. This has not hitherto been experienced in the United States, but it has been experienced elsewhere; and from its not having been felt by us hitherto, it does not follow that this will not be the case hereafter, when our commerce shall have attained a maturity which will place it under the influence of more fixed principles.

In establishing a proportion between the metals, there seems to be an option of one of two things—

To approach, as nearly as can be ascertained, the mean or average proportion, in what may be called the commercial world; or,

To retain that which now exists in the United States. As far as these happen to coincide, they will render the course to be pursued more plain and more certain.

To ascertain the first, with precision, would require better materials than are possessed, or than could be obtained, without an inconvenient delay.

Sir Isaac Newton, in a representation to the treasury of Great Britain, in the year 1717, after stating the particular proportions in the different countries of Europe, concludes thus:—"By the course of trade and exchange between nation and nation, in all Europe, fine gold is to fine silver as 14$\frac{4}{9}$ or 15 to 1."

But however accurate and decisive this authority may be deemed, in relation to the period to which it applies, it cannot be taken, at the distance of more than seventy years, as a rule for determining the existing proportion. Alterations have been since made, in the regulations of their coins, by several nations; which, as well as the course of trade, have an influence upon the market values. Nevertheless, there is reason to believe, that the state of the matter, as represented by Sir Isaac Newton, is not very remote from its actual state.

In Holland, the greatest *money* market of Europe, gold was to silver, in December, 1789, as 1 to 14.88; and in that of London, it has been, for some time past, but little different, approaching, perhaps, something nearer 1 to 15.

It has been seen that the existing proportion between the two metals, in this country, is about as 1 to 15.

It is fortunate, in this respect, that the innovations of the Spanish mint have imperceptibly introduced a proportion so analogous as this is, to that which prevails among the principal commercial nations; as it greatly facilitates a proper regulation of the matter.

This proportion of 1 to 15 is recommended by the particular situation of our trade, as being very nearly that which obtains in the market of Great Britain, to which nation our specie is principally exported. A lower rate for either of the metals, in our market, than in hers, might not only afford a motive the more, in certain cases, to remit in specie rather than in commo-

dities; but it might, in some others, cause us to pay a greater quantity of it for a given sum, than we should otherwise do. If the effect should rather be to occasion a premium to be given for the metal which was underrated, this would obviate those disadvantages, but it would involve another—a customary difference between the market and legal proportions, which would amount to a species of disorder in the national coinage.

Looking forward to the payments of interest hereafter to be made to Holland, the same proportion does not appear ineligible. The present legal proportion in the coins of Holland is stated to be 1 to 14$\frac{2}{3}$. That of the market varies somewhat, at different times, but seldom very widely from this point.

There can hardly be a better rule in any country, for the legal, than the market proportion, if this can be supposed to have been produced by the free and steady course of commercial principles. The presumption, in such case, is, that each metal finds its true level, according to its intrinsic utility, in the general system of money operations.

But it must be admitted, that this argument, in favor of continuing the existing proportion, is not applicable to the state of the coins with us. There have been too many artificial and heterogeneous ingredients, too much want of order in the pecuniary transactions of this country, to authorize the attributing the effects which have appeared to the regular operations of commerce. A proof of this is to be drawn from the alterations which have happened in the proportion between the metals merely by the successive degradations of the dollar, in consequence of the mutability of a foreign mint. The value of gold to silver appears to have declined wholly from this cause, from 15$\frac{4}{11}$ to about 15 to 1. Yet, as this last proportion, however produced, coincides so nearly with what may be deemed the commercial average, it may be supposed to furnish as good a rule as can be pursued.

The only question seems to be, whether the value of gold ought not to be a little lowered to bring it to a more exact level with the two markets which have been mentioned. But as the ratio of 1 to 15 is so nearly conformable to the state of those

markets, and best agrees with that of our own, it will probably be found the most eligible. If the market of Spain continues to give a higher value to gold (as it has done in time past) than that which is recommended, there may be some advantage in a middle station.

A further preliminary to the adjustment of the future money unit, is, to determine what shall be the proportion and composition of alloy in each species of the coins.

The first, by the resolution of the 8th of August, 1786, before referred to, is regulated at one-twelfth, or in other words, at 1 part alloy to 11 parts fine, whether gold or silver; which appears to be a convenient rule; unless there should be some collateral consideration which may dictate a departure from it. Its correspondency, in regard to both metals, is a recommendation of it, because a difference could answer no purpose of pecuniary or commercial utility, and uniformity is favorable to order.

This ratio, as it regards gold, coincides with the proportion, real or professed, in the coins of Portugal, England, France, and Spain. In those of the two former, it is real, in those of the two latter, there is a deduction for what is called *remedy of weight and alloy*, which is in the nature of an allowance to the master of the mint for errors and imperfections in the process, rendering the coin either lighter or baser than it ought to be. The same thing is known in the theory of the English mint, where $\frac{1}{6}$ of a carat is allowed. But the difference seems to be, that *there*, it is merely an occasional indemnity within a certain limit, for real and unavoidable errors and imperfections; whereas, in the practice of the mints of France and Spain, it appears to amount to a stated and regular deviation from the nominal standard. Accordingly, the real standards of France and Spain are something worse than 22 carats, or 11 parts in 12 fine.

The principal gold coins in Germany, Holland, Sweden, Denmark, Poland, and Italy, are finer than those of England and Portugal, in different degrees, from 1 carat and $\frac{1}{4}$ to 1 carat and $\frac{7}{8}$, which last is within $\frac{1}{3}$ of a carat of pure gold.

There are similar diversities in the standards of the silver coins of the different countries of Europe. That of Great

Britain is 222 parts fine, to 18 alloy; those of the other European nations vary from that of Great Britain as widely as from about 17 of the same parts better, to 75 worse.

The principal reasons assigned for the use of alloy, are the saving of expense in the refining of the metals (which in their natural state are usually mixed with a portion of the coarser kinds), and the rendering of them harder as a security against too great waste by friction or wearing. The first reason, drawn from the original composition of the metals, is strengthened at present by the practice of alloying their coins, which has obtained among so many nations. The reality of the effect to which the last reason is applicable, has been denied, and experience has been appealed to, as proving that the more alloyed coins wear faster than the purer. The true state of this matter may be worthy of future investigation, though first appearances are in favor of alloy. In the mean time, the saving of trouble and expense are sufficient inducements to following those examples which suppose its expediency. And the same considerations lead to taking as our models those nations with whom we have most intercourse, and whose coins are most prevalent in our circulation. These are Spain, Portugal, England, and France. The relation which the proposed proportion bears to their gold coins has been explained. In respect to their silver coins, it will not be very remote from the mean of their several standards.

The component ingredients of the alloy in each metal will also require to be regulated. In silver, copper is the only kind in use, and it is doubtless the only proper one. In gold, there is a mixture of silver and copper; in the English coins consisting of equal parts; in the coins of some other countries, varying from $\frac{1}{8}$ to $\frac{2}{3}$ silver.

The reason of this union of silver with copper is this: The silver counteracts the tendency of the copper to injure the color or beauty of the coin, by giving it too much redness, or rather a coppery hue, which a small quantity will produce; and the copper prevents the too great whiteness which silver alone would confer. It is apprehended, that there are considerations which

may render it prudent to establish, by law, that the proportion of silver to copper, in the gold coins of the United States, shall not be more than $\frac{1}{2}$, nor less than $\frac{1}{3}$; vesting a discretion in some proper place to regulate the matter within those limits, as experience in the execution may recommend.

A third point remains to be discussed, as a prerequisite to the determination of the money unit, which is, whether the expense of coining shall be defrayed by the public, or out of the material itself; or, as it is sometimes stated, whether coinage shall be free, or shall be subject to a duty or imposition? This forms, perhaps, one of the nicest questions in the doctrine of money.

The practice of different nations is dissimilar in this particular. In England, coinage is said to be entirely free: the mint price of the metals in bullion, being the same with the value of them in coin. In France, there is a duty, which has been, if it is not now, eight per cent. In Holland, there is a difference between the mint price and the value in the coins, which has been computed at .96, or something less than one per cent. upon gold; at 1.48, or something less than one and a half per cent. upon silver. The resolution of the 8th of August, 1786, proceeds upon the idea of a deduction of half per cent. from gold, and of two per cent. from silver, as an indemnification for the expense of coining. This is inferred from a report of the late Board of Treasury, upon which that resolution appears to have been founded.

Upon the supposition that the expense of coinage ought to be defrayed out of the metals, there are two ways in which it may be effected: one by a reduction of the quantity of fine gold and silver in the coins, the other by establishing a difference between the value of those metals in the coins, and the mint price of them in bullion.

The first method appears to the Secretary inadmissible. He is unable to distinguish an operation of this sort, from that of raising the denomination of the coin—a measure which has been disapproved by the wisest men of the nations in which it has been practised, and condemned by the rest of the world. To

declare that a less weight of gold or silver shall pass for the same sum, which before represented a greater weight, or to ordain that the same weight shall pass for a greater sum, are things substantially of one nature. The consequence of either of them, if the change can be realized, is to degrade the money unit; obliging creditors to receive less than their just dues, and depreciating property of every kind. For it is manifest, that every thing would, in this case, be represented by a less quantity of gold and silver than before.

It is sometimes observed, on this head, that, though any article of property might, in fact, be represented by a less actual quantity of pure metal, it would nevertheless be represented by something of the same intrinsic value. Every fabric, it is remarked, is worth intrinsically the price of the raw material and the expense of fabrication; a truth not less applicable to a piece of coin than to a yard of cloth.

This position, well founded in itself, is here misapplied. It supposes, that the coins now in circulation are to be considered as bullion, or, in other words, as raw material. But the fact is, that the adoption of them as money, has caused them to become the fabric; it has invested them with the character and office of coins, and has given them a sanction and efficacy, equivalent to that of the stamp of the sovereign. The prices of all our commodities, at home and abroad, and of all foreign commodities in our markets, have found their level in conformity to this principle. The foreign coins may be *divested* of the privilege they have hitherto been permitted to enjoy, and may of course be *left* to find their value in the market as a raw material. But the quantity of gold and silver in the national coins, corresponding with a given sum, cannot be made less than heretofore, without disturbing the balance of intrinsic value, and making every acre of land, as well as every bushel of wheat, of less actual worth than in time past. If the United States were isolated, and cut off from all intercourse with the rest of mankind, this reasoning would not be equally conclusive. But it appears decisive, when considered with a view to the relations which commerce has created between us and other countries.

It is, however, not improbable, that the effect meditated would be defeated by a rise of prices proportioned to the diminution of the intrinsic value of the coins. This might be looked for in every enlightened commercial country; but, perhaps, in none with greater certainty than in this; because, in none, are men less liable to be the dupes of sounds; in none, has authority so little resource for substituting names for things.

A general revolution in prices, though only nominally, and in appearance, could not fail to distract the ideas of the community, and would be apt to breed discontents as well among all those who live on the income of their money, as among the poorer classes of the people, to whom the necessaries of life would seem to have become dearer. In the confusion of such a state of things, ideas of value would not improbably adhere to the old coins, which, from that circumstance, instead of feeling the effect of the loss of their privilege as money, would, perhaps, bear a price in the market, relatively to the new ones, in exact proportion to weight. The frequency of the demand for the metals to pay foreign balances, would contribute to this effect.

Among the evils attendant on such an operation, are these: creditors, both of the public and of individuals, would lose a part of their property; public and private credit would receive a wound; the effective revenues of the Government would be diminished. There is scarcely any point, in the economy of national affairs, of greater moment than the uniform preservation of the intrinsic value of the money unit. On this, the security and steady value of property essentially depend.

The second method, therefore, of defraying the expense of the coinage out of the metals, is greatly to be preferred to the other. This is to let the same sum of money continue to represent in the new coins exactly the same quantity of gold and silver as it does in those now current—to allow at the mint such a price only for those metals as will admit of profit just sufficient to satisfy the expense of coinage; to abolish the legal currency of the foreign coins, both in public and private payments; and, of course, to leave the superior utility of the national coins for domestic purposes, to operate the difference of market value,

which is necessary to induce the bringing of bullion to the mint. In this case, all property and labor will still be represented by the same quantity of gold and silver as formerly; and the only change which will be wrought, will consist in annexing the office of money exclusively to the national coins; consequently, withdrawing it from those of foreign countries, and suffering them to become, as they ought to be, mere articles of merchandise.

The arguments in favor of a regulation of this kind are, first: That the want of it is a cause of extra expense; there being, then, no motive of individual interest to distinguish between the national coins and bullion, they are, it is alleged, indiscriminately melted down for domestic manufactures, and exported for the purposes of foreign trade: and it is added, that when the coins become light by wearing, the same quantity of fine gold or silver bears a higher price in bullion than in the coins; in which state of things, the melting down of the coins to be sold as bullion is attended with profit; and from both causes, the expense of the mint, or, in other words, the expense of maintaining the specie capital of the nation, is materially augmented.

Secondly. That the existence of such a regulation promotes a favorable course of exchange, and benefits trade, not only by that circumstance, but by obliging foreigners, in certain cases, to pay dearer for domestic commodities, and to sell their own cheaper.

As far as relates to the tendency of a free coinage to produce an increase of expense in the different ways that have been stated, the argument must be allowed to have foundation, both in reason and in experience. It describes what has been exemplified in Great Britain.

The effect of giving an artificial value to bullion, is not, at first sight, obvious; but it actually happened at the period immediately preceding the late reformation in the gold coin of the country just named. A pound troy in gold bullion, of standard fineness, was then from 19*s.* 6*d.* to 25*s.* sterling dearer than an equal weight of guineas, as delivered at the mint. The phenomenon is thus accounted for: The old guineas were more than two per cent. lighter than their *standard weight*. This *weight*,

therefore, in bullion, was truly worth two per cent. more than those guineas. It consequently had, in respect to them, a correspondent rise in the market.

And as guineas were then current by *tale*, the new ones, as they issued from the mint, were confounded in circulation with the old ones; and by the association, were depreciated below the intrinsic value, in comparison with bullion. It became of course a profitable traffic to sell bullion for coin, to select the light pieces, and re-issue them in currency, and to melt down the heavy ones, and sell them again as bullion. This practice, besides other inconveniences, cost the Government large sums in the renewal of the coins.

But the remainder of the argument stands upon ground far more questionable. It depends upon very numerous and very complex combinations, in which there is infinite latitude for fallacy and error.

The most plausible part of it, is that which relates to the course of exchange. Experience in France has shown that the market price of bullion has been influenced by the mint difference between that and coin; sometimes to the full extent of the difference; and it would seem to be a clear inference, that, whenever that difference materially exceeded the charges of remitting bullion from the country where it existed, to another in which coinage is free, exchange would be in favor of the former.

If, for instance, the balance of trade between France and England were at any time equal, their merchants would naturally have reciprocal payments to make to an equal amount, which, as usual would be liquidated by means of bills of exchange. If in this situation the difference between coin and bullion should be, in the market, as at the mint of France, eight per cent.; if, also, the charges of transporting money from France to England, should not be above two per cent.; and if exchange should be at par, it is evident that a profit of six per cent. might be made, by sending bullion from France to England, and drawing bills for the amount. One hundred louis d'ors in coin, would purchase the weight of one hundred and eight in bullion; one hundred of which, remitted to England, would suffice to pay a debt

of an equal amount; and two being paid for the charges of insurance and transportation, there would remain six for the benefit of the person who should manage the negotiation. But as so large a profit could not fail to produce competition, the bills, in consequence of this, would decrease in price, till the profit was reduced to the *minimum* of an adequate recompense for the trouble and risk. And, as the amount of one hundred louis d'ors in England, might be afforded for ninety-six in France, with a profit of more than one and a half per cent., bills upon England might fall, in France, to four per cent. below par; one per cent. being a sufficient profit to the exchanger or broker for the management of the business.

But it is *admitted* that this advantage is lost, when the balance of trade is against the nation which imposes the duty in question; because, by increasing the demand for bullion, it brings this to a par with the coins; and it is to be *suspected*, that where commercial principles have their free scope, and are well understood, the market difference between the metals in coin and bullion, will seldom approximate to that of the mint, if the latter be considerable. It must be not a little difficult to keep the money of the world, which can be employed to an equal purpose in the commerce of the world, in a state of degradation, in comparison with the money of a particular country.

This alone would seem sufficient to prevent it: Whenever the price of coin to bullion, in the market, materially exceeded the par of the metals, it would become an object to send the bullion abroad, if not to pay a foreign balance, to be invested in some other way, in foreign countries, where it bore a superior value; an operation by which immense fortunes might be amassed, if it were not that the exportation of the bullion would of itself restore the intrinsic par. But, as it would naturally have this effect, the advantage supposed would contain in itself the principle of its own destruction. As long, however, as the exportation of bullion could be made with profit, which is as long as exchange could remain below par, there would be a drain of the gold and silver of the country.

If any thing can maintain, for a length of time, a material

difference between the value of the metals in coin and in bullion, it must be a constant and considerable balance of trade in favor of the country in which it is maintained. In one situated like the United States, it would in all probability be a hopeless attempt. The frequent demand for gold and silver, to pay balances to foreigners, would tend powerfully to preserve the equilibrium of intrinsic value.

The prospect is, that it would occasion foreign coins to circulate by common consent, nearly at par with the national.

To say that, as far as the effect of lowering exchange is produced, though it be only occasional and momentary, there is a benefit the more thrown into the scale of public prosperity, is not satisfactory. It has been seen, that it may be productive of one evil, the investment of a part of the national capital in foreign countries; which can hardly be beneficial but in a situation like that of the United Netherlands, where an immense capital, and a decrease of internal demand, render it necessary to find employment for money in the wants of other nations; and, perhaps on a close examination, other evils may be descried.

One allied to that which has been mentioned is this—taking France, for the sake of more concise illustration, as the scene. Whenever it happens that French louis d'ors are sent abroad, from whatever cause, if there be a considerable difference between coin and bullion, in the market of France, it will constitute an advantageous traffic to send back these louis d'ors, and bring away bullion in lieu of them; upon all which exchanges, France must sustain an actual loss of a part of its gold and silver.

Again, such a difference between coin and bullion may tend to counteract a favorable balance of trade. Whenever a foreign merchant is the carrier of his own commodities to France for sale, he has a strong inducement to bring back specie, instead of French commodities; because a return in the latter may afford no profit, may even be attended with loss; in the former it will afford a certain profit. The same principle must be supposed to operate in the general course of remittances from France to other countries. The principal question with a merchant, naturally is, in

what manner can I realize a given sum, with most advantage, where I wish to place it? And, in cases in which other commodities are not likely to produce equal profit with bullion, it may be expected that this will be preferred; to which the greater certainty attending the operation must be an additional incitement. There can hardly be imagined a circumstance less friendly to trade, than the existence of an extra inducement arising from the possibility of a profitable speculation upon the articles themselves, to export from a country its gold and silver, rather than the products of its land and labor.

The other advantages supposed, of obliging foreigners to pay dearer for domestic commodities, and to sell their own cheaper, are applied to a situation which includes a favorable balance of trade. It is understood in this sense—the prices of domestic commodities (such, at least, as are peculiar to the country), remain attached to the denominations of the coins. When a favorable balance of trade realizes in the market the mint difference between coin and bullion, foreigners, who must pay in the latter, are obliged to give more of it for such commodities than they otherwise would do. Again, the bullion, which is now obtained at a cheaper rate in the home market, will procure the same quantity of goods in the foreign market, as before; which is said to render foreign commodities cheaper. In this reasoning, much fallacy is to be suspected. If it be true, that foreigners pay more for domestic commodities, it must be equally true that they get more for their own when they bring them themselves to market. If peculiar, or other domestic commodities adhere to the denominations of the coins, no reason occurs why foreign commodities of a like character should not do the same thing; and, in this case, the foreigner, though he receive only the same value in coin for his merchandise as formerly, can convert it into a greater quantity of bullion. Whence the nation is liable to lose more of its gold and silver than if their intrinsic value in relation to the coins were preserved. And whether the gain or the loss will, on the whole, preponderate, would appear to depend on the comparative proportion of active commerce of the one country with the other.

It is evident, also, that the nation must pay as much gold and silver as before, for the commodities which it procures *abroad;* and whether it obtains this gold and silver cheaper or not, turns upon the solution of the question just intimated, respecting the relative proportion of active commerce between the two countries.

Besides these considerations, it is admitted in the reasoning, that the advantages supposed, which depend on a favorable balance of trade, have a tendency to affect that balance disadvantageously. Foreigners, it is allowed, will in this case seek some other vent for their commodities, and some other market where they can supply their wants at an easier rate. A tendency of this kind, if real, would be a sufficient objection to the regulation. Nothing which contributes to change a beneficial current of trade, can well compensate, by particular advantages, for so injurious an effect. It is far more easy to transfer trade from a less to a more favorable channel, than, when once transferred, to bring it back to its old one. Every source of artificial interruption to an advantageous current, is, therefore, cautiously to be avoided.

It merits attention, that the able minister, who lately and so long presided over the finances of France, does not attribute to the duty of coinage in that country, any particular advantages in relation to exchange and trade. Though he rather appears an advocate for it, it is on the sole ground of the revenue it affords, which he represents as in the nature of a very moderate duty on the general mass of exportation.

And it is not improbable that, to the singular felicity of situation of that kingdom, is to be attributed its not having been sensible of the evils which seem incident to the regulation. There is, perhaps, no part of Europe which has so little need of other countries as France. Comprehending a variety of soils and climates, an immense population, its agriculture in a state of mature improvement, it possesses within its own bosom, most, if not all, the productions of the earth, which any of its most favored neighbors can boast. The variety, abundance, and excellence of its wines, constitute a peculiar advantage in its favor.

Arts and manufactures are there also in a very advanced state; some of them, of considerable importance, in higher perfection than elsewhere. Its contiguity to Spain; the intimate nature of its connection with that country—a country with few fabrics of its own, consequently numerous wants, and the principal receptacle of the treasures of the new world: these circumstances concur, in securing to France so uniform and so considerable a balance of trade, as in a great measure to counteract the natural tendency of any errors which may exist in the system of her mint; and to render inferences from the operation of that system there, in reference to this country, more liable to mislead than to instruct. Nor ought it to pass unnoticed, that, with all these advantages, the Government of France has found it necessary, on some occasions, to employ very violent methods to compel the bringing of bullion to the mint—a circumstance which affords a strong presumption of the inexpediency of the regulation, and of the impracticability of executing it in the United States.

This point has been the longer dwelt upon, not only because there is a diversity of opinion among speculative men concerning it, and a diversity in the practice of the most considerable commercial nations, but because the acts of our own Government, under the confederation, have not only admitted the expediency of defraying the expense of coinage out of the metals themselves, but upon this idea have both made a deduction from the weight of the coins, and established a difference between their regulated value and the mint price of bullion, greater than would result from that deduction. This double operation in favor of a principle so questionable in itself, has made a more particular investigation of it a duty.

The intention, however, of the preceding remarks, is rather to show that the expectation of commercial advantages ought not to decide in favor of a duty of coinage, and that, if it should be adopted, it ought not to be in the form of a deduction from the intrinsic value of the coins, than absolutely to exclude the idea of any difference whatever, between the value of the metals in coin and in bullion. It is not clearly discerned, that a small

difference between the mint price of bullion and the regulated value of the coins would be pernicious, or that it might not even be advisable, in the first instance, by way of experiment, merely as a preventive to the melting down and exportation of the coins. This will, now, be somewhat more particularly considered.

The arguments for a coinage entirely free, are, that it preserves the intrinsic value of the metals; that it makes the expense of fabrication a general instead of partial tax; and that it tends to promote the abundance of gold and silver, which it is alleged, will flow to that place where they find the best price, and from that place where they are in any degree undervalued.

The first consideration has not much weight, as an objection to a plan which, without diminishing the quantity of metals in the coins, merely allows a less price for them in bullion at the national factory or mint. No rule of intrinsic value is violated, by considering the raw material as worth less than the fabric in proportion to the expense of fabrication. And by divesting foreign coins of the privilege of circulating as money, they become the raw material.

The second consideration has perhaps greater weight. But it may not amount to an objection, if it be the best method of preventing disorders in the coins, which it is, in a particular manner, the interest of those, on whom the tax would fall, to prevent. The practice of taking gold by weight, which has of late years obtained in Great Britain, has been found in some degree, a remedy; but this is inconvenient, and may, on that account, fall into disuse. Another circumstance has had a remedial operation. This is the delay of the mint. It appears to be the practice there, not to make payment for the bullion which is brought to be exchanged for coin, till it either has in fact, or is pretended to have undergone the process of recoining.

The necessity of fulfilling prior engagements, is a cause or pretext for postponing the delivery of the coin in lieu of the bullion. And this delay creates a difference in the market price of the two things. Accordingly, for some years past, an ounce

of standard gold, which is worth in coin £3 17*s.* 10½*d.* sterling, has been in the market of London, in bullion, only £3 17*s.* 6*d.*, which is within a small fraction of one half per cent. less. Whether this be management in the mint, to accommodate the bank in the purchase of bullion, or to effect indirectly something equivalent to a formal difference of price, or whether it be the natural course of the business, is open to conjecture.

It, at the same time, indicates that, if the mint were to make prompt payment, at about half per cent. less than it does at present, the state of bullion in respect to coin, would be precisely the same as it now is. And it would be then certain, that the Government would save expense in the coinage of gold; since it is not probable that the time actually lost in the course of the year, in converting bullion into coin, can be an equivalent to half per cent. on the advance, and there will generally be at the command of the treasury a considerable sum of money waiting for some periodical disbursement, which, without hazard, might be applied to that advance.

In what sense a free coinage can be said to promote the abundance of gold and silver, may be inferred from the instances which have been given of the tendency of a contrary system to promote their exportation. It is, however, not probable, that a very small difference of value between coin and bullion can have any effect which ought to enter into calculation. There can be no inducement of positive profit, to export the bullion, as long as the difference of price is exceeded by the expense of transportation. And the prospect of smaller loss upon the metals than upon commodities, when the difference is very minute, will be frequently overbalanced by the possibility of doing better with the latter, from a rise of markets. It is, at any rate, certain, that it can be of no consequence in this view, whether the superiority of coin to bullion in the market, be produced, as in England, by the delay of the mint, or by a formal discrimination in the regulated values.

Under an impression that a *small* difference between the value of the coin and the mint price of bullion, is the least exceptionable expedient for restraining the melting down, or expor-

tation of the former, and not perceiving that, if it be a very moderate one, it can be hurtful in other respects, the Secretary is inclined to an experiment of one half per cent. on each of the metals. The fact which has been mentioned, with regard to the price of gold bullion in the English market, seems to demonstrate that such a difference may safely be made. In this case there must be immediate payment for the gold and silver offered to the mint. How far one half per cent. will go towards defraying the expense of the coinage, cannot be determined beforehand with accuracy. It is presumed that, on an economical plan, it will suffice in relation to gold. But it is not expected that the same rate on silver will be sufficient to defray the expense attending that metal. Some additional provision may, therefore, be found necessary, if this limit be adopted.

It does not seem to be advisable to make any greater difference in regard to silver than to gold; because it is desirable that the proportion between the two metals in the market, should correspond with that in the coins, which would not be the case if the mint price of one was comparatively lower than that of the other; and because, also, silver being proposed to be rated in respect to gold, somewhat below its general commercial value, if there should be a disparity to its disadvantage in the mint prices of the two metals, it would obstruct too much the bringing of it to be coined, and would add an inducement to export it. Nor does it appear to the Secretary safe to make a greater difference between the value of coin and bullion, than has been mentioned. It will be better to have to increase it, hereafter, if this shall be found expedient, than to have to recede from too considerable a difference, in consequence of evils which shall have been experienced.

It is sometimes mentioned, as an expedient, which, consistently with a free coinage, may serve to prevent the evils desired to be avoided, to incorporate in the coins a greater proportion of alloy than is usual; regulating their value, nevertheless, according to the quantity of pure metal they contain. This, it is supposed, by adding to the difficulty of refining them, would

cause bullion to be preferred, both for manufacture and exportation.

But strong objections lie against this scheme—an augmentation of expense; an actual depreciation of the coin; a danger of still greater depreciation in the public opinion; the facilitating of counterfeits; while it is questionable whether it would have the effect expected from it.

The alloy being esteemed of no value, an increase of it is evidently an increase of expense. This, in relation to the gold coins, particularly, is a matter of moment. It has been noted, that the alloy in them consists partly of silver. If, to avoid expense, the addition should be of copper only, this would spoil the appearance of the coin, and give it a base countenance. Its beauty would indeed be injured, though in a less degree, even if the usual proportions of silver and copper should be maintained in the increased quantity of alloy.

And, however inconsiderable an additional expenditure of copper in the coinage of a year may be deemed, in a series of years it would become of consequence. In regulations which contemplate the lapse and operation of ages, a very small item of expense acquires importance.

The actual depreciation of the coin by an increase of alloy, results from the very circumstance which is the motive to it—the greater difficulty of refining. In England, it is customary for those concerned in manufactures of gold, to make a deduction in the price of four-pence sterling per ounce, of fine gold, for every carat which the mass containing it, is below the legal standard. Taking this as a rule, an inferiority of a single carat, or one twenty-fourth part in the gold coins of the United States, compared with the English standard, would cause the *same quantity* of pure gold in them to be worth nearly four-tenths per cent. less than in the coins of Great Britain. This circumstance would be likely, in process of time, to be felt in the market of the United States.

A still greater depreciation, in the public opinion, would be to be apprehended from the *apparent* debasement of the coin. The effects of imagination and prejudice cannot safely be dis-

regarded in any thing that relates to money. If the beauty of the coin be impaired, it may be found difficult to satisfy the generality of the community, that what appears worst is not really less valuable; and it is not altogether certain, that an impression of its being so, may not occasion an unnatural augmentation of prices.

Greater danger of imposition, by counterfeits, is also to be apprehended from the injury which will be done to the appearance of the coin. It is a just observation, that "the perfection of the coins is a great safeguard against counterfeits." And it is evident that the color, as well as the excellence of the workmanship, is an ingredient in that perfection. The intermixture of too much alloy, particularly of copper, in the gold coins at least, must materially lessen the facility of distinguishing, by the eye, the purer from the baser kind—the genuine from the counterfeit.

The inefficacy of the arrangement to the purpose intended to be answered by it, is rendered probable by different considerations. If the standard of plate in the United States should be regulated according to that of the national coins, it is to be expected that the goldsmith would prefer these to the foreign coins, because he would find them prepared to his hand, in the state which he desires; whereas he would have to *expend* an additional quantity of alloy to bring the foreign coins to that state. If the standard of plate, by law or usage, should be superior to that of the national coins, there would be a possibility of the foreign coins bearing a higher price in the market; and this would not only obstruct their being brought to the mint, but might occasion the exportation of the national coin in preference. It is not understood, that the practice of making an abatement of price for the inferiority of standard, is applicable to the English mint; and if it be not, this would also contribute to frustrating the expected effect from the increase of alloy. For, in this case, a given quantity of pure metal, in our standard, would be worth as much there, as in bullion of the English, or any other standard.

Considering, therefore, the uncertainty of the success of the

expedient, and the inconveniences which seem incident to it, it would appear preferable to submit to those of a free coinage. It is observable, that additional expense, which is one of the principal of these, is also applicable to the proposed remedy.

It is now proper to resume and finish the answer to the first question, in order to which the three succeeding ones have necessarily been anticipated. The conclusion to be drawn from the observations which have been made on the subject, is this: That the unit, in the coins of the United States, ought to correspond with 24 grains and $\frac{3}{4}$ of a grain of pure gold, and with 371 grains and $\frac{1}{4}$ of a grain of pure silver, each answering to a dollar in the money of account. The former is exactly agreeable to the present value of gold, and the latter is within a small fraction of the mean of the two last emissions of dollars—the only ones which are now found in common circulation, and of which the newest is in the greatest abundance. The alloy in each case to be one-twelfth of the total weight, which will make the unit 27 grains of standard gold, and 405 grains of standard silver.

Each of these, it has been remarked, will answer to a dollar in the money of account. It is conceived that nothing better can be done in relation to this, than to pursue the track marked out by the resolution of the 8th August, 1786. This has been approved abroad, as well as at home, and it is certain that nothing can be more simple and convenient than the decimal subdivisions. There is every reason to expect that the method will speedily grow into general use, when it shall be seconded by corresponding coins. On this plan, the unit in the money of account will continue to be, as established by that resolution, a dollar; and its multiples, dimes, cents, and mills, or tenths, hundredths, and thousandths.

With regard to the number of different pieces which shall compose the coins of the United States, two things are to be consulted—convenience of circulation, and cheapness of the coinage. The first ought not to be sacrificed to the last; but as far as they can be reconciled to each other, it is desirable to do it. Numerous and small (if not too minute) subdivisions assist

circulation; but the multiplication of the smaller kinds increases expense; the same process being necessary to a small as to a large piece.

As it is easy to add, it will be most advisable to begin with a small number, till experience shall decide whether any other kinds are necessary. The following, it is conceived, will be sufficient in the commencement:

One gold piece, equal in weight and value to ten units, or dollars.

One gold piece, equal to a tenth part of the former, and which shall be a unit or dollar.

One silver piece, which shall also be a unit or dollar.

One silver piece, which shall be, in weight and value, a tenth part of the silver unit or dollar.

One copper piece, which shall be of the value of a hundredth part of a dollar.

One other copper piece, which shall be half the value of the former.

It is not proposed that the lightest piece of the two gold coins should be numerous, as, in large payments, the larger the pieces, the shorter the process of counting, the less risk of mistake, and consequently, the greater the safety and the convenience; and, in small payments, it is not perceived that any inconvenience can accrue from an entire dependence on the silver and copper coins. The chief inducement to the establishment of the small gold piece, is to have a sensible object in that metal, as well as in silver, to express the unit. Fifty thousand at a time in circulation, may suffice for this purpose.

The tenth part of a dollar is but a small piece, and, with the aid of the copper coins, will probably suffice for all the more minute uses of circulation. It is less than the least of the silver coins now in general currency in England.

The largest copper piece will nearly answer to the halfpenny sterling, and the smallest, of course, to the farthing. Pieces of very small value, are a great accommodation, and the means of a beneficial economy to the poor, by enabling them to purchase, in small portions, and at a more reasonable rate, the necessaries of

which they stand in need. If there are only cents, the lowest price for any portion of a vendible commodity, however inconsiderable in quantity, will be a cent; if there are half cents, it will be a half cent, and, in a great number of cases, exactly the same things will be sold for a half cent, which, if there were none, would cost a cent. But a half cent is low enough for the *minimum* of price. Excessive minuteness would defeat its object. To enable the poorer classes to procure necessaries cheap, is to enable them, with more comfort to themselves, to labor for less; the advantages of which need no comment.

The denominations of the silver coins contained in the resolution of the 8th of August, 1786, are conceived to be significant and proper. The dollar is recommended by its correspondency with the present coin of that name for which it is designed to be a substitute, which will facilitate its ready adoption as such, in the minds of the citizens. The dime, or tenth; the cent, or hundredth; the mill, or thousandth, are proper, because they express the proportions which they are intended to designate. It is only to be regretted, that the meaning of these terms will not be familiar to those who are not acquainted with the language from which they are borrowed. It were to be wished that the length, and, in some degree, the clumsiness of some of the corresponding terms in English, did not discourage from preferring them. It is useful to have names which signify the things to which they belong; and, in respect to objects of general use, in a manner intelligible to all. Perhaps it might be an improvement to let the dollar have the appellation either of dollar, or unit, (which last will be the most significant,) and to substitute "tenth" for dime. In time, the unit may succeed to the dollar. The word cent, being in use in various transactions and instruments, will, without much difficulty, be understood as the hundredth, and the half cent, of course, as the two-hundredth part.

The eagle is not a very expressive or apt appellation for the largest gold piece, but nothing better occurs. The smallest of the two gold coins, may be called the dollar, or unit, in common with the silver piece with which it coincides.

The volume or size of each piece, is a matter of more consequence than its denomination. It is evident, that the more superficies, or surface, the more the piece will be liable to be injured by friction, or in other words, the faster it will wear. For this reason, it is desirable to render the thickness as great, in proportion to the breadth, as may consist with neatness and good appearance. Hence, the form of the double guinea, or double louis d'or, is preferable to that of the half johannes, for the large gold piece. The small one cannot well be of any other size than the Portuguese peice of eight, of the same metal.

As it is of consequence to fortify the idea of the identity of the dollar, it may be best to let the form and size of the new one, as far as the quantity of matter (the alloy being less) permits, agree with the form and size of the present. The diameter may be the same.

The tenths may be in a mean between the Spanish $\frac{1}{8}$ and $\frac{1}{9}$ of a dollar.

The copper coins may be formed, merely with a view to good appearance, as, any difference in the wearing that can result from difference of form, can be of little consequence in reference to that metal.

It is conceived that the weight of the cent may be eleven pennyweights, which will about correspond with the value of the copper, and the expense of coinage. This will be to conform to the rule of intrinsic value, as far as regard to the convenient size of the coins will permit; and the deduction of the expense of coinage in this case, will be the more proper, as the copper coins, which have been current hitherto, have passed, till lately, for much more than their intrinsic value. Taking the weight, as has been suggested, the size of the cent may be nearly that of the piece herewith transmitted, which weighs 10dwt. 11grs. 10m. Two-thirds of the diameter of the cent will suffice for the diameter of the half cent.

It may, perhaps, be thought expedient, according to general practice, to make the copper coinage an object of profit, but, where this is done to any considerable extent, it is hardly possible to have effectual security against counterfeits. This con-

sideration, concurring with the soundness of the principle of preserving the intrinsic value of the money of a country, seems to outweigh the consideration of profit.

The foregoing suggestions respecting the sizes of the several coins, are made on the supposition that the Legislature may think fit to regulate this matter. Perhaps, however, it may be judged not unadvisable to leave it to Executive discretion.

With regard to the proposed size of the cent, it is to be confessed, that it is rather greater than might be wished, if it could, with propriety and safety, be made less; and should the value of copper continue to decline, as it has done for some time past, it is very questionable whether it will long remain alone a fit metal for money. This has led to a consideration of the expediency of uniting a small proportion of silver with the copper, in order to be able to lessen the bulk of the inferior coins. For this, there are precedents in several parts of Europe. In France, the composition which is called billon, has consisted of one part silver and four parts copper; according to which proportion, a cent might contain seventeen grains, defraying out of the material the expense of coinage. The conveniency of size is a recommendation of such a species of coin, but the Secretary is deterred from proposing it, by the apprehension of counterfeits. The effect of so small a quantity of silver, in, comparatively, so large a quantity of copper, could easily be imitated, by a mixture of other metals of little value, and the temptation to doing it would not be inconsiderable.

The devices of the coins are far from being matters of indifference, as they may be made the vehicles of useful impressions. They ought, therefore, to be emblematical, but without losing sight of simplicity. The fewer sharp points and angles there are, the less will be the loss by wearing. The Secretary thinks it best, on this head, to confine himself to these concise and general remarks.

The last point to be discussed, respects the currency of foreign coins.

The abolition of this, in proper season, is a necessary part of the system contemplated for the national coinage. But this it

will be expedient to defer, till some considerable progress has been made in preparing substitutes for them. A gradation may, therefore, be found most convenient.

The foreign coins may be suffered to circulate, precisely upon their present footing, for one year after the mint shall have commenced its operations. The privilege may then be continued for another year, to the gold coins of Portugal, England, and France, and to the silver coins of Spain. And these may still be permitted to be current for one year more, at the rates allowed to be given for them at the mint; after the expiration of which, the circulation of all foreign coins to cease.

The moneys which will be paid into the treasury during the first year, being re-coined, before they are issued anew, will afford a partial substitute, before any interruption is given to the pre-existing supplies of circulation. The revenues of the succeeding year, and the coins which will be brought to the mint in consequence of the discontinuance of their currency, will materially extend the substitute in the course of that year, and its extension will be so far increased during the third year, by the facility of procuring the remaining species to be re-coined, which will arise from the diminution of their current values, as probably to enable the dispensing wholly with the circulation of the foreign coins after that period. The progress which the currency of bank bills will be likely to have made, during the same time, will, also, afford a substitute of another kind.

This arrangement, besides avoiding a sudden stagnation of circulation, will cause a considerable proportion of whatever loss may be incident to the establishment, in the first instance, to fall, as it ought to do, upon the Government, and will, probably, tend to distribute the remainder of it, more equally, among the community.

It may, nevertheless, be advisable, in addition to the precautions here suggested, to repose a discretionary authority in the President of the United States, to continue the currency of the Spanish dollar, at a value corresponding with the quantity of fine silver contained in it, beyond the period above mentioned, for the cessation of the circulation of the foreign coins. It is possi-

ble, that an exception, in favor of this particular species of coin, may be found expedient, and it may tend to obviate inconveniences, if there be a power to make the exception, in a capacity to be exerted, when the period shall arrive.

The Secretary for the Department of State, in his report to the House of Representatives, on the subject of establishing a uniformity in the weights, measures, and coins, of the United States, has proposed that the weight of the dollar should correspond with the unit of weight. This was done on the supposition that it would require but a very small addition to the quantity of metal which the dollar, independently of the object he had in view, ought to contain, in which he was guided by the resolution of the 8th of August, 1786, fixing the dollar at 375 grains and 64 hundredths of a grain.

Taking this as the proper standard of the dollar, a small alteration, for the sake of incorporating so systematic an idea, would appear desirable. But, if the principles which have been reasoned from, in this report, are just, the execution of that idea becomes more difficult. It would, certainly, not be advisable to make, on that account, so considerable a change in the money unit, as would be produced by the addition of five grains of silver to the proper weight of the dollar, without a proportional augmentation of its relative value, and, to make such an augmentation, would be to abandon the advantage of preserving the identity of the dollar, or, to speak more accurately, of having the proposed one received and considered, as a mere substitute for the present.

The end may, however, be obtained, without either of those inconveniences, by increasing the proportion of alloy in the silver coins. But this would destroy the uniformity, in that respect, between the gold and silver coins. It remains, therefore, to elect which of the two systematic ideas shall be pursued or relinquished; and it may be remarked, that it will be more easy to convert the present silver coins into the proposed ones, if these last have the same, or nearly the same proportion of alloy, than if they have less.

The organization of the mint yet remains to be considered.

This relates to the persons to be employed, and to the services which they are respectively to perform. It is conceived that there ought to be:

A director of the mint, to have the general superintendence of the business.

An assay master, or assayer, to receive the metals brought to the mint, ascertain their fineness, and deliver them to be coined.

A master coiner, to conduct the making of the coins.

A cashier, to receive and pay them out.

An auditor, to keep and adjust the accounts of the mint.

Clerks, as many as the director of the mint shall deem necessary, to assist the different officers.

Workmen, as many as may be found requisite.

A porter.

In several of the European mints, there are various other officers, but the foregoing are those, only, who appear to be indispensable. Persons in the capacity of clerks, will suffice instead of the others, with the advantage of greater economy.

The number of workmen is left indefinite, because, at certain times, it is requisite to have more than at others. They will, however, never be numerous. The expense of the establishment in an ordinary year, will, probably, be from fifteen to twenty thousand dollars.

The remedy for errors in the weight and alloy of the coins, must necessarily form a part in the system of a mint; and the manner of applying it will require to be regulated. The following account is given of the practice in England, in this particular:

A certain number of pieces are taken promiscuously out of every fifteen pounds of gold coined at the mint, which are deposited, for safe keeping, in a strong box, called the pix. This box, from time to time, is opened in the presence of the lord chancellor, the officers of the treasury, and others, and portions are selected from the pieces of each coinage, which are melted together, and the mass assayed by a jury of the company of goldsmiths. If the imperfection and deficiency, both in fineness and weight, fall short of a sixth of a carat, or 40 grains of pure gold, upon a pound of standard, the master of the mint is held excusa-

ble, because, it is supposed, that no workman can reasonably be answerable for greater exactness. The expediency of some similar regulation seems to be manifest.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

TRADE WITH INDIA AND CHINA.

Communicated to the House of Representatives, February 10, 1791.

TREASURY OFFICE, February 10, 1791.

The Secretary of the Treasury, in obedience to the order of the House of Representatives of the twentieth day of January last, referring to him the petition of the merchants of Philadelphia, trading to India and China, respectfully reports:

That the subject of said petition involves the consideration of the general policy which ought to be pursued by the United States in relation to the trade with India and China, concerning which, questions of equal delicacy and importance arise, requiring a more careful and deliberate investigation than can be performed, consistently with the view of the House of Representatives, respecting the termination of their present session.

That, under this impression, the Secretary, if permitted by the House, will defer a report on the said subject, generally, till the next session of Congress, and will confine himself, for the present, to a particular article of the said trade, namely: Teas.

That it appears, upon inquiry, that considerable quantities of Bohea tea have been brought into the United States, from Europe, notwithstanding the additional duties laid upon that article, when so imported, by the laws heretofore passed; which have contributed both to overstock the market and to reduce the price below the standard at which it can be afforded by the merchants trading to China; producing consequently, a material

discouragement to the trade with that country, in which the article of Bohea tea is one of principal importance.

As an additional and extensive field for the enterprise of our merchants and mariners, and as an additional outlet for the commodities of the country, the trade to India and China appears to lay claim to the patronage of the Government, and its proceedings, hitherto, have countenanced the expediency of granting that patronage; in pursuance of which principle, the fact, which has been stated, would seem to render it advisable, for the present, that a further duty should be laid upon Bohea tea brought from Europe. Three cents per pound, it is conceived, would be an adequate increase.

But, to form a satisfactory judgment of the propriety either of pursuing or extending the system of granting particular favors to the trade in question, it is necessary that a full and accurate examination should be had into the nature and tendency of that trade, in order to ascertain the extent to which it may require or be entitled to encouragement.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

The Secretary of the Treasury, in obedience to an order of the House of Representatives of the 26th ultimo, relative to the petition of Elias Hasket Derby, of the town of Salem, merchant, respectfully reports:

That he has duly considered the allegations contained in the said petition, and the prayer thereof.

That he finds an insuperable difficulty in recommending to the consideration of the House, an act of particular indulgence, relative to the public dues, in favor of an individual.

That, however, it is true, that the importers of teas, in the year 1790, have been embarrassed and injured by the difficulty of immediately obtaining prices adequate to cover the duties which have been imposed on those articles.

That an apprehension of such difficulties had induced him to suggest to the House, in his report of the 13th of December last, the extension of the credit for the duties thereafter to accrue upon this article.

From a view of the cases of the petitioner and other importers of teas, by whom representations have been made to him, the Secretary begs leave to suggest for the consideration of the House, the propriety of giving a retrospect to that clause, in the pending bill, which extends, in future, the credit allowed upon the impost on teas, in favor of all the importers of that article in the last year.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

THE DUTCH LOAN.

Communicated to the Senate, February 25, 1791.

TREASURY DEPARTMENT, February 24th, 1791.

The Secretary of the Treasury, in obedience to the orders of the President of the United States, as signified in his speech at the present session, respectfully informs the Senate and House of Representatives:

That the terms of the loan of three millions of florins, mentioned by the President as having been negotiated in Holland, are as follow:

The rate of interest is five per cent., but the charges form a deduction from the principal sum of 4½ per cent., which will occasion the real interest to be paid on the sum actually received by the United States, to be equal to five and a quarter per cent., nearly.

The reimbursement is to be made in six equal instalments, commencing in the year 1800, and ending in the year 1804. But it is in the option of the United States to reimburse the whole, or

any part of the sum borrowed, at any time they may think proper.

That the disposition which has been made of the above-mentioned sum is as follows:

One million five hundred thousand florins have been applied pursuant to the directions of the President of the United States, as a payment to France.

A further sum, of about one hundred and sixty thousand florins, will also have been appropriated towards a payment on account of the Duch Loans, which became due on the first day of February last, including a premium of seventy thousand florins.

The residue is in a situation to be disposed of as may be judged expedient.

A doubt arises how far this loan may be within the meaning of the act making provision for the reduction of the public debt, on account of the limitation of the rate of interest, which, taking the charges of the loan into calculation, would be somewhat exceeded; and though it is presumed that that limitation was not intended to exclude the addition of the ordinary charges, yet a point of so much delicacy appears to require legislative explanation.

The Secretary of the Treasury begs leave to observe that it is in his judgment highly expedient, and very important to the general operations of the treasury, that the above-mentioned loan should be deemed to be included within the meaning of the aforesaid act. The residue may, in this case, be applied with material advantage to the purposes of that act, and the part which has been otherwise applied may be hereafter replaced.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

SPIRITS FOREIGN AND DOMESTIC.

Draft of an Act repealing after the last day of June next, the duties heretofore laid upon distilled spirits, imported from abroad, and laying others in their stead, and also upon spirits distilled within the the United States and for appropriating the same. March 3d, 1791.

Arrangement made by the President of the United States, with respect to the subdivisions of the several districts thereof into surveys, the appointment of officers and the assignment of compensations pursuant to the above entitled act. Treasury Department, October 31, 1791.—[*States Papers, Finance*, vol. i., p. 110.

MANUFACTURES.

Communicated to the House of Representatives, December 5, 1791.

The Secretary of the Treasury, in obedience to the order of the House of Representatives, of the 15th day of January, 1790, has applied his attention, at as early a period as his other duties would permit, to the subject of Manufactures, and particularly to the means of promoting such as will tend to render the United States independent on foreign nations, for military and other essential supplies; and he thereupon respectfully submits the following report:

The expediency of encouraging manufactures in the United States, which was not long since deemed very questionable, appears at this time to be pretty generally admitted. The embarrassments which have obstructed the progress of our external

trade, have led to serious reflections on the necessity of enlarging the sphere of our domestic commerce. The restrictive regulations, which, in foreign markets, abridge the vent of the increasing surplus of our agricultural produce, serve to beget an earnest desire, that a more extensive demand for that surplus may be created at home; and the complete success which has rewarded manufacturing enterprise, in some valuable branches, conspiring with the promising symptoms which attend some less mature essays in others, justify a hope, that the obstacles to the growth of this species of industry are less formidable than they were apprehended to be; and that it is not difficult to find, in its further extension, a full indemnification for any external disadvantages, which are or may be experienced, as well as an accession of resources, favorable to national independence and safety.

There still are, nevertheless, respectable patrons of opinions unfriendly to the encouragement of manufactures. The following are, substantially, the arguments by which these opinions are defended.

"In every country (say those who entertain them) agriculture is the most beneficial and productive object of human industry. This position, generally, if not universally true, applies with peculiar emphasis to the United States, on account of their immense tracts of fertile territory, uninhabited and unimproved. Nothing can afford so advantageous an employment for capital and labor, as the conversion of this extensive wilderness into cultivated farms. Nothing, equally with this, can contribute to the population, strength, and real riches of the country.

"To endeavor, by the extraordinary patronage of government, to accelerate the growth of manufactures, is, in fact, to endeavor, by force and art, to transfer the natural current of industry from a more to a less beneficial channel. Whatever has such a tendency, must necessarily be unwise; indeed, it can hardly ever be wise in a government to attempt to give a direction to the industry of its citizens. This, under the quick-sighted guidance of private interest, will, if left to itself, infallibly find its own way to the most profitable employment; and it is by

such employment, that the public prosperity will be most effectually promoted. To leave industry to itself, therefore, is, in almost every case, the soundest as well as the simplest policy.

"This policy is not only recommended to the United States, by considerations which affect all nations; it is, in a manner, dictated to them by the imperious force of a very peculiar situation. The smallness of their population compared with their territory; the constant allurements to emigration from the settled to the unsettled parts of the country: the facility with which the less independent condition of an artisan can be exchanged for the more independent condition of a farmer; these, and similar causes, conspire to produce, and, for a length of time, must continue to occasion, a scarcity of hands for manufacturing occupation, and dearness of labor generally. To these disadvantages for the prosecution of manufactures, a deficiency of pecuniary capital being added, the prospect of a successful competition with the manufactures of Europe, must be regarded as little less than desperate. Extensive manufactures can only be the offspring of a redundant, at least of a full population. Till the latter shall characterize the situation of this country, 'tis vain to hope for the former.

"If, contrary to the natural course of things, an unseasonable and premature spring can be given to certain fabrics, by heavy duties, prohibitions, bounties, or by other forced expedients, this will only be to sacrifice the interests of the community to those of particular classes. Besides the misdirection of labor, a virtual monopoly will be given to the persons employed on such fabrics; and an enhancement of price, the inevitable consequence of every monopoly, must be defrayed at the expense of the other parts of society. It is far preferable, that those persons should be engaged in the cultivation of the earth, and that we should procure, in exchange for its productions, the commodities with which foreigners are able to supply us in greater perfection, and upon better terms."

This mode of reasoning is founded upon facts and principles which have certainly respectable pretensions. If it had governed the conduct of nations more generally than it has done, there

is room to suppose that it might have carried them faster to prosperity and greatness than they have attained by the pursuit of maxims too widely opposite. Most general theories, however, admit of numerous exceptions, and there are few, if any, of the political kind, which do not blend a considerable portion of error with the truths they inculcate.

In order to an accurate judgment how far that which has been just stated ought to be deemed liable to a similar imputation, it is necessary to advert carefully to the considerations which plead in favor of manufactures, and which appear to recommend the special and positive encouragement of them in certain cases, and under certain reasonable limitations.

It ought readily to be conceded that the cultivation of the earth, as the primary and most certain source of national supply; as the immediate and chief source of subsistence to man; as the principal source of those materials which constitute the nutriment of other kinds of labor; as including a state most favorable to the freedom and independence of the human mind—one, perhaps, most conducive to the multiplication of the human species; has intrinsically a strong claim to pre-eminence over every other kind of industry.

But, that it has a title to any thing like an exclusive predilection, in any country, ought to be admitted with great caution; that it is even more productive than every other branch of industry, requires more evidence than has yet been given in support of the position. That its real interests, precious and important as, without the help of exaggeration, they truly are, will be advanced, rather than injured, by the due encouragement of manufactures, may, it is believed, be satisfactorily demonstrated. And it is also believed, that the expediency of such encouragement, in a general view, may be shown to be recommended by the most cogent and persuasive motives of national policy.

It has been maintained, that agriculture is not only the most productive, but the only productive species of industry. The reality of this suggestion, in either respect, has, however, not been verified by any accurate detail of facts and calculations; and the general arguments which are adduced to prove it, are rather subtile and paradoxical, than solid or convincing.

Those which maintain its exclusive productiveness, are to this effect:

Labor bestowed upon the cultivation of land, produces enough, not only to replace all the necessary expenses incurred in the business, and to maintain the persons who are employed in it, but to afford, together with the ordinary profit on the stock or capital of the farmer, a net surplus or rent for the landlord or proprietor of the soil. But the labor of artificers does nothing more than replace the stock which employs them (or which furnishes materials, tools, and wages), and yield the ordinary profit upon that stock. It yields nothing equivalent to the rent of land; neither does it add any thing to the total value of the whole annual produce of the land and labor of the country. The additional value given to those parts of the produce of land, which are wrought into manufactures, is counterbalanced by the value of those other parts of that produce which are consumed by the manufacturers. It can, therefore, only be by saving or parsimony, not by the positive productiveness of their labor, that the classes of artificers can, in any degree, augment the revenue of the society.

To this it has been answered:

1. "That, inasmuch as it is acknowledged that manufacturing labor re-produces a value equal to that which is expended or consumed in carrying it on, and continues in existence the original stock or capital employed, it ought, on that account, alone, to escape being considered as wholly unproductive. That, though it should be admitted, as alleged, that the consumption of the produce of the soil, by the classes of artificers or manufacturers, is exactly equal to the value added by their labor to the materials upon which it is exerted, yet, it would not thence follow, that it added nothing to the revenue of the society, or to the aggregate value of the annual produce of its land and labor. If the consumption, for any given period, amounted to a given sum, and the increased value of the produce manufactured, in the same period, to a like sum, the total amount of the consumption and production, during that period, would be equal to the two sums, and consequently double the value of the agricultural

produce consumed; and, though the increment of value produced by the classes of artificers should, at no time, exceed the value of the produce of the land consumed by them, yet, there would be, at every moment, in consequence of their labor, a greater value of goods in the market than would exist independent of it."

2. "That the position, that artificers can augment the revenue of a society only by parsimony, is true in no other sense than in one which is equally applicable to husbandmen or cultivators. It may be alike affirmed of all these classes, that the fund acquired by their labor, and destined for their support, is not, in an ordinary way, more than equal to it. And hence, it will follow, that augmentations of the wealth or capital of the community (except in the instances of some extraordinary dexterity or skill), can only proceed, with respect to any of them, from the savings of the more thrifty and parsimonious."

3. "That the annual produce of the land and labor of a country can only be increased in two ways—by some improvement in the productive powers of the useful labor which actually exist within it, or by some increase in the quantity of such labor. That, with regard to the first, the labor of artificers being capable of greater subdivision and simplicity of operation than that of cultivators, it is susceptible, in a proportionably greater degree of improvement in its productive powers, whether to be derived from an accession of skill or from the application of ingenious machinery: in which particular, therefore, the labor employed in the culture of land can pretend to no advantage over that engaged in manufactures. That, with regard to an augmentation of the quantity of useful labor, this, excluding adventitious circumstances, must depend essentially upon an increase of capital, which again must depend upon the savings made out of the revenues of those who furnish or manage that which is at any time employed, whether in agriculture or in manufactures, or in any other way."

But, while the exclusive productiveness of agricultural labor has been thus denied and refuted, the superiority of its productiveness has been conceded without hesitation. As this con-

cession involves a point of considerable magnitude, in relation to maxims of public administration, the grounds on which it rests are worthy of a distinct and particular examination.

One of the arguments made use of in support of the idea, may be pronounced both quaint and superficial. It amounts to this: That, in the productions of the soil, nature co-operates with man; and that the effect of their joint labor must be greater than that of the labor of man alone.

This, however, is far from being a necessary inference. It is very conceivable, that the labor of man alone, laid out upon a work requiring great skill and art to bring it to perfection, may be more productive, in value, than the labor of nature and man combined, when directed towards more simple operations and objects; and when it is recollected to what an extent the agency of nature, in the application of the mechanical powers, is made auxiliary to the prosecution of manufactures, the suggestion which has been noticed loses even the appearance of plausibility.

It might also be observed, with a contrary view, that the labor employed in agriculture, is, in a great measure, periodical and occasional, depending on seasons, and liable to various and long intermissions; while that occupied in many manufactures is constant and regular, extending through the year, embracing, in some instances, night as well as day. It is also probable that there are, among the cultivators of land, more examples of remissness than among artificers. The farmer, from the peculiar fertility of his land, or some other favorable circumstance, may frequently obtain a livelihood, even with a considerable degree of carelessness in the mode of cultivation; but the artisan can with difficulty effect the same object, without exerting himself pretty equally with all those who are engaged in the same pursuit. And if it may likewise be assumed as a fact, that manufactures open a wider field to exertions of ingenuity than agriculture, it would not be a strained conjecture, that the labor employed in the former, being at once more constant, more uniform, and more ingenious, than that which is employed in the latter, will be found, at the same time, more productive.

But it is not meant to lay stress on observations of this nature; they ought only to serve as a counterbalance to those of a similar complexion. Circumstances so vague and general, as well as so abstract, can afford little instruction in a matter of this kind.

Another, and that which seems to be the principal argument offered for the superior productiveness of agricultural labor, turns upon the allegation, that labor employed on manufactures, yields nothing equivalent to the rent of land; or to that net surplus, as it is called, which accrues to the proprietor of the soil.

But this distinction, important as it has been deemed, appears rather verbal than substantial.

It is easily discernible, that what, in the first instance, is divided into two parts, under the denominations of the ordinary profit of the stock of the farmer and rent to the landlord, is, in the second instance, united under the general appellation of the ordinary profit on the stock of the undertaker; and that this formal or verbal distribution constitutes the whole difference in the two cases. It seems to have been overlooked, that the land is itself a stock or capital, advanced or lent by its owner to the occupier or tenant, and that the rent he receives is only the ordinary profit of a certain stock in land, not managed by the proprietor himself, but by another, to whom he lends or lets it, and who, on his part, advances a second capital, to stock and improve the land, upon which he also receives the usual profit. The rent of the landlord and the profit of the farmer are, therefore, nothing more than the ordinary profits of two capitals belonging to two different persons, and united in the cultivation of a farm: as, in the other case, the surplus which arises upon any manufactory, after replacing the expenses of carrying it on, answers to the ordinary profits of one or more capitals engaged in the prosecution of such manufactory. It is said one or more capitals, because, in fact, the same thing which is contemplated in the case of the farm, sometimes happens in that of a manufactory. There is one, who furnishes a part of the capital or lends a part of the money by which it is carried on, and another, who carries

it on with the addition of his own capital. Out of the surplus which remains after defraying expenses, an interest is paid to the money-lender, for the portion of the capital furnished by him, which exactly agrees with the rent paid to the landlord; and the residue of that surplus constitutes the profit of the undertaker or manufacturer, and agrees with what is denominated the ordinary profits on the stock of the farmer. Both together, make the ordinary profits of two capitals employed in a manufactory; as, in the other case, the rent of the landlord and the revenue of the farmer compose the ordinary profits of two capitals employed in the cultivation of a farm.

The rent, therefore, accruing to the proprietor of the land, far from being a criterion of exclusive productiveness, as has been argued, is no criterion even of superior productiveness. The question must still be, whether the surplus, after defraying expenses of a given capital, employed in the purchase and improvement of a piece of land, is greater or less than that of a like capital, employed in the prosecution of a manufactory; or whether the whole value produced from a given capital and a given quantity of labor, employed in one way, be greater or less than the whole value produced from an equal capital and an equal quantity of labor, employed in the other way; or rather, perhaps, whether the business of agriculture, or that of manufactures, will yield the greatest product, according to a compound ratio of the quantity of the capital, and the quantity of labor, which are employed in the one or in the other.

The solution of either of these questions is not easy; it involves numerous and complicated details, depending on an accurate knowledge of the objects to be compared. It is not known that the comparison has ever yet been made upon sufficient data, properly ascertained and analyzed. To be able to make it on the present occasion, with satisfactory precision, would demand more previous inquiry and investigation, than there has been hitherto either leisure or opportunity to accomplish.

Some essays, however, have been made towards acquiring the requisite information; which have rather served to throw doubt upon, than to confirm the hypothesis under examination. But

it ought to be acknowledged, that they have been too little diversified, and are too imperfect to authorize a definitive conclusion either way; leading rather to probable conjecture than to certain deduction. They render it probable that there are various branches of manufactures, in which a given capital will yield a greater total product, and a considerably greater net product, than an equal capital invested in the purchase and improvement of lands; and that there are also some branches, in which both the gross and the net produce will exceed that of agricultural industry, according to a compound ratio of capital and labor. But it is on this last point that there appears to be the greatest room for doubt. It is far less difficult to infer generally, that the net produce of capital engaged in manufacturing enterprises is greater than that of capital engaged in agriculture.

The foregoing suggestions are not designed to inculcate an opinion that manufacturing industry is more productive than that of agriculture. They are intended rather to show that the reverse of this proposition is not ascertained; that the general arguments, which are brought to establish it, are not satisfactory; and consequently, that a supposition of the superior productiveness of tillage ought to be no obstacle to listening to any substantial inducements to the encouragement of manufactures, which may be otherwise perceived to exist, through an apprehension that they may have a tendency to divert labor from a more to a less profitable employment.

It is extremely probable, that, on a full and accurate development of the matter, on the ground of fact and calculation, it would be discovered that there is no material difference between the aggregate productiveness of the one, and of the other kind of industry; and that the propriety of the encouragements, which may, in any case, be proposed to be given to either, ought to be determined upon considerations irrelative to any comparison of that nature.

II. But without contending for the superior productiveness of manufacturing industry, it may conduce to a better judgment of the policy which ought to be pursued respecting its encourage-

ment, to contemplate the subject under some additional aspects, tending not only to confirm the idea that this kind of industry has been improperly represented as unproductive in itself, but to evince, in addition, that the establishment and diffusion of manufactures have the effect of rendering the total mass of useful and productive labor, in a community, greater than it would otherwise be. In prosecuting this discussion, it may be necessary briefly to resume and review some of the topics which have been already touched.

To affirm that the labor of the manufacturer is unproductive, because he consumes as much of the produce of land as he adds value to the raw material which he manufactures, is not better founded, than it would be to affirm that the labor of the farmer, which furnishes materials to the manufacturer, is unproductive, because he consumes an equal value of manufactured articles. Each furnishes a certain portion of the produce of his labor to the other, and each destroys a correspondent portion of the produce of the labor of the other. In the mean time, the maintenance of two citizens, instead of one, is going on; the State has two members instead of one; and they, together, consume twice the value of what is produced from the land.

If, instead of a farmer and artificer, there were a farmer only, he would be under the necessity of devoting a part of his labor to the fabrication of clothing, and other articles, which he would procure of the artificer, in the case of there being such a person; and of course he would be able to devote less labor to the cultivation of his farm, and would draw from it a proportionably less product. The whole quantity of production, in this state of things, in provisions, raw materials, and manufactures, would certainly not exceed in value the amount of what would be produced in provisions and raw materials only, if there were an artificer as well as a farmer.

Again, if there were both an artificer and a farmer, the latter would be left at liberty to pursue exclusively the cultivation of his farm. A greater quantity of provisions and raw materials would, of course, be produced, equal, at least, as has been already observed, to the whole amount of the provisions, raw materials,

and manufactures, which would exist on a contrary supposition. The artificer, at the same time, would be going on in the production of manufactured commodities, to an amount sufficient, not only to repay the farmer, in those commodities, for the provisions and materials which were procured from him, but to furnish the artificer himself, with a supply of similar commodities for his own use. Thus, then, there would be two quantities or values in existence, instead of one; and the revenue and consumption would be double, in one case, what it would be in the other.

If, in place of both of these suppositions, there were supposed to be two farmers and no artificer, each of whom applied a part of his labor to the culture of land, and another part to the fabrication of manufactures; in this case, the portion of the labor of both, bestowed upon land, would produce the same quantity of provisions and raw materials only, as would be produced by the entire sum of the labor of one, applied in the same manner; and the portion of the labor of both, bestowed upon manufactures, would produce the same quantity of manufactures only, as would be produced by the entire sum of the labor of one, applied in the same manner. Hence, the produce of the labor of the two farmers would not be greater than the produce of the labor of the farmer and artificer; and hence it results, that the labor of the artificer is as positively productive as that of the farmer, and as positively augments the revenue of the society.

The labor of the artificer replaces to the farmer that portion of his labor with which he provides the materials of exchange with the artificer, and which he would otherwise have been compelled to apply to manufactures; and while the artificer thus enables the farmer to enlarge his stock of agricultural industry, a portion of which he purchases for his own use, he also supplies himself with the manufactured articles, of which he stands in need. He does still more. Besides this equivalent, which he gives for the portion of agricultural labor consumed by him, and this supply of manufactured commodities for his own consumption, he furnishes still a surplus, which compensates for the use of the capital advanced, either by himself or some other person, for carrying on the business. This is the ordinary profit of the

stock employed in the manufactory, and is, in every sense, as effective an addition to the income of the society as the rent of land.

The produce of the labor of the artificer, consequently, may be regarded as composed of three parts; one, by which the provisions for his subsistence and the materials for his work, are purchased of the farmer; one, by which he supplies himself with manufactured necessaries; and a third, which constitutes the profit on the stock employed. The two last portions seem to have been overlooked, in the system which represents manufacturing industry as barren and unproductive.

In the course of the preceding illustrations, the products of equal quantities of the labor of the farmer and artificer have been treated as if equal to each other. But this is not to be understood as intending to assert any such precise equality. It is merely a manner of expression, adopted for the sake of simplicity and perspicuity. Whether the value of the produce of the labor of the farmer be somewhat more or less than that of the artificer, is not material to the main scope of the argument, which, hitherto, has only aimed at showing, that the one, as well as the other, occasions a positive augmentation of the total produce and revenue of the society.

It is now proper to proceed a step further, and to enumerate the principal circumstances from which it may be inferred that manufacturing establishments not only occasion a positive augmentation of the produce and revenue of the society, but that they contribute essentially to rendering them greater than they could possibly be, without such establishments. These circumstances are:

1. The division of labor.
2. An extension of the use of machinery.
3. Additional employment to classes of the community not ordinarily engaged in the business.
4. The promoting of emigration from foreign countries.
5. The furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other.
6. The affording a more ample and various field for enterprise.

7. The creating, in some instances, a new, and securing, in all, a more certain and steady demand for the surplus produce of the soil.

Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community; together, they add to it a degree of energy and effect, which are not easily conceived. Some comments upon each of them, in the order in which they have been stated, may serve to explain their importance.

1. *As to the division of labor.*

It has justly been observed, that there is scarcely any thing of greater moment in the economy of a nation, than the proper division of labor. The separation of occupations, causes each to be carried to a much greater perfection, than it could possibly acquire if they were blended. This arises principally from three circumstances:

1st. The greater skill and dexterity naturally resulting from a constant and undivided application to a single object. It is evident that these properties must increase in proportion to the separation and simplification of objects, and the steadiness of the attention devoted to each; and must be less in proportion to the complication of objects, and the number among which the attention is distracted.

2d. The economy of time, by avoiding the loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances; the transition itself, the orderly disposition of the implements, machines, and materials, employed in the operation to be relinquished, the preparatory steps to the commencement of a new one, the interruption of the impulse, which the mind of the workman acquires, from being engaged in a particular operation, the distractions, hesitations, and reluctances, which attend the passage from one kind of business to another.

3d. An extension of the use of machinery. A man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination, in devising methods

to facilitate and abridge labor, than if he were perplexed by a variety of independent and dissimilar operations. Besides this, the fabrication of machines, in numerous instances, becoming itself a distinct trade, the artist who follows it has all the advantages which have been enumerated, for improvement in his particular art; and, in both ways, the invention and application of machinery are extended.

And from these causes united, the mere separation of the occupation of the cultivator from that of the artificer, has the effect of augmenting the productive powers of labor, and with them, the total mass of the produce or revenue of a country. In this single view of the subject, therefore, the utility of artificers or manufacturers, towards promoting an increase of productive industry, is apparent.

2. *As to an extension of the use of machinery, a point which, though partly anticipated, requires to be placed in one or two additional lights.*

The employment of machinery forms an item of great importance in the general mass of national industry. It is an artificial force brought in aid of the natural force of man; and, to all the purposes of labor, is an increase of hands, an accession of strength, unencumbered too by the expense of maintaining the laborer. May it not, therefore, be fairly inferred, that those occupations which give greatest scope to the use of this auxiliary, contribute most to the general stock of industrious effort, and, in consequence, to the general product of industry?

It shall be taken for granted, and the truth of the position referred to observation, that manufacturing pursuits are susceptible, in a greater degree, of the application of machinery, than those of agriculture. If so, all the difference is lost to a community, which, instead of manufacturing for itself, procures the fabrics requisite to its supply, from other countries. The substitution of foreign for domestic manufactures, is a transfer to foreign nations, of the advantages accruing from the employment of machinery, in the modes in which it is capable of being employed, with most utility and to the greatest extent.

The cotton-mill, invented in England, within the last twenty years, is a signal illustration of the general proposition which has been just advanced. In consequence of it, all the different processes for spinning cotton, are performed by means of machines, which are put in motion by water, and attended chiefly by women and children; and by a smaller number of persons, in the whole, than are requisite in the ordinary mode of spinning. And it is an advantage of great moment, that the operations of this mill continue with convenience, during the night as well as through the day. The prodigious effect of such a machine is easily conceived. To this invention is to be attributed, essentially, the immense progress which has been so suddenly made in Great Britain, in the various fabrics of cotton.

3. *As to the additional employment of classes of the community not originally engaged in the particular business.*

This is not among the least valuable of the means, by which manufacturing institutions contribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labors, as a resource for multiplying their acquisitions or their enjoyments. The husbandman himself experiences a new source of profit and support, from the increased industry of his wife and daughters, invited and stimulated by the demands of the neighboring manufactories.

Besides this advantage of occasional employment to classes having different occupations, there is another, of a nature allied to it, and of a similar tendency. This is the employment of persons who would otherwise be idle, and in many cases, a burthen on the community, either from the bias of temper, habit, infirmity of body, or some other cause, indisposing or disqualifying them for the toils of the country. It is worthy of particular remark, that, in general, women and children are rendered more

useful, and the latter more early useful, by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain, it is computed that four-sevenths, nearly, are women and children; of whom the greatest proportion are children, and many of them of a tender age.

And thus it appears to be one of the attributes of manufactures, and one of no small consequence, to give occasion to the exertion of a greater quantity of industry, even by the same number of persons, where they happen to prevail, than would exist if there were no such establishments.

4. *As to the promoting of emigration from foreign countries.*

Men reluctantly quit one course of occupation and livelihood for another, unless invited to it by very apparent and proximate advantages. Many who would go from one country to another, if they had a prospect of continuing with more benefit the callings to which they have been educated, will often not be tempted to change their situation by the hope of doing better in some other way. Manufacturers, who, listening to the powerful invitations of a better price for their fabrics, or their labor, of greater cheapness of provisions and raw materials, of an exemption from the chief part of the taxes, burthens, and restraints, which they endure in the old world, of greater personal independence and consequence, under the operation of a more equal government, and of what is far more precious than mere religious toleration, a perfect equality of religious privileges, would probably flock from Europe to the United States, to pursue their own trades or professions, if they were once made sensible of the advantages they would enjoy, and were inspired with an assurance of encouragement and employment, will, with difficulty, be induced to transplant themselves, with a view to becoming cultivators of land.

If it be true, then, that it is the interest of the United States to open every possible avenue to emigration from abroad, it affords a weighty argument for the encouragement of manu-

factures; which, for the reasons just assigned, will have the strongest tendency to multiply the inducements to it.

Here is perceived an important resource, not only for extending the population, and with it the useful and productive labor of the country, but likewise for the prosecution of manufactures, without deducting from the number of hands, which might otherwise be drawn to tillage; and even for the indemnification of agriculture, for such as might happen to be diverted from it. Many, whom manufacturing views would induce to emigrate, would, afterwards, yield to the temptations which the particular situation of this country holds out to agricultural pursuits. And while agriculture would, in other respects, derive many signal and unmingled advantages from the growth of manufactures, it is a problem whether it would gain or lose, as to the article of the number of persons employed in carrying it on.

5. *As to the furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other.*

This is a much more powerful mean of augmenting the fund of national industry, than may at first sight appear. It is a just observation, that minds of the strongest and most active powers for their proper objects, fall below mediocrity, and labor without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper element, and can call into activity, the whole vigor of his nature. And the community is benefited by the services of its respective members, in the manner in which each can serve it with most effect.

If there be any thing in a remark often to be met with, namely, that there is, in the genius of the people of this country, a peculiar aptitude for mechanic improvements, it would operate as a forcible reason for giving opportunities to the exercise of that species of talent, by the propagation of manufactures.

6. *As to the affording a more ample and various field for enterprise.*

This also is of greater consequence in the general scale of national exertion, than might, perhaps, on a superficial view be supposed, and has effects not altogether dissimilar from those of the circumstance last noticed. To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort.

The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded, in proportion to the simplicity or variety of the occupations and productions which are to be found in a society. It must be less in a nation of mere cultivators, than in a nation of cultivators and merchants; less in a nation of cultivators and merchants, than in a nation of cultivators, artificers, and merchants.

7. *As to the creating, in some instances, a new, and securing in all, a more certain and steady demand, for the surplus produce of the soil.*

This is among the most important of the circumstances which have been indicated. It is a principal mean by which the establishment of manufactures contributes to an augmentation of the produce or revenue of a country, and has an immediate and direct relation to the prosperity of agriculture.

It is evident, that the exertions of the husbandman will be steady or fluctuating, vigorous or feeble, in proportion to the steadiness or fluctuation, adequateness or inadequateness of the markets on which he must depend, for the vent of the surplus which may be produced by his labor; and that such surplus, in the ordinary course of things, will be greater or less in the same proportion.

For the purpose of this vent, a domestic market is greatly to be preferred to a foreign one; because it is, in the nature of things, far more to be relied upon.

It is a primary object of the policy of nations, to be able to supply themselves with subsistence from their own soils; and manufacturing nations, as far as circumstances permit, endeavor to procure from the same source, the raw materials necessary for their own fabrics. This disposition, urged by the spirit of monopoly, is sometimes even carried to an injudicious extreme. It seems not always to be recollected, that nations, who have neither mines nor manufactures, can only obtain the manufactured articles of which they stand in need, by an exchange of the products of their soils; and that, if those who can best furnish them with such articles, are unwilling to give a due course to this exchange, they must, of necessity, make every possible effort to manufacture for themselves; the effect of which is, that the manufacturing nations abridge the natural advantages of their situation, through an unwillingness to permit the agricultural countries to enjoy the advantages of theirs, and sacrifice the interests of a mutually beneficial intercourse to the vain project of selling every thing and buying nothing.

But it is also a consequence of the policy which has been noted, that the foreign demand for the products of agricultural countries, is, in a great degree, rather casual and occasional, than certain or constant. To what extent injurious interruptions of the demand for some of the staple commodities of the United States may have been experienced from that cause, must be referred to the judgment of those who are engaged in carrying on the commerce of the country; but, it may be safely affirmed, that such interruptions are, at times, very inconveniently felt, and that cases not unfrequently occur, in which markets are so confined and restricted, as to render the demand very unequal to the supply.

Independently, likewise, of the artificial impediments which are created by the policy in question, there are natural causes tending to render the external demand for the surplus of agricultural nations a precarious reliance. The differences of sea-

sons in the countries which are the consumers, make immense differences in the produce of their own soils, in different years; and consequently in the degrees of their necessity for foreign supply. Plentiful harvests with them, especially if similar ones occur at the same time in the countries which are the furnishers, occasion, of course, a glut in the markets of the latter.

Considering how fast, and how much the progress of new settlements, in the United States, must increase the surplus produce of the soil, and weighing seriously the tendency of the system which prevails among most of the commercial nations of Europe; whatever dependence may be placed on the force of natural circumstances to counteract the effects of an artificial policy, there appear strong reasons to regard the foreign demand for that surplus, as too uncertain a reliance, and to desire a substitute for it in an extensive domestic market.

To secure such a market there is no other expedient than to promote manufacturing establishments. Manufacturers, who constitute the most numerous class, after the cultivators of land, are for that reason the principal consumers of the surplus of their labor.

This idea of an extensive domestic market for the surplus produce of the soil, is of the first consequence. It is, of all things, that which most effectually conduces to a flourishing state of agriculture. If the effect of manufactories should be to detach a portion of the hands which would otherwise be engaged in tillage, it might possibly cause a smaller quantity of lands to be under cultivation; but, by their tendency to procure a more certain demand for the surplus produce of the soil, they would, at the same time, cause the lands which were in cultivation to be better improved and more productive. And while, by their influence, the condition of each individual farmer would be meliorated, the total mass of agricultural production would probably be increased. For this must evidently depend as much upon the degree of improvement, if not more, than upon the number of acres under culture.

It merits particular observation, that the multiplication of manufactories not only furnishes a market for those articles

which have been accustomed to be produced in abundance in a country; but it likewise creates a demand for such as were either unknown, or produced in inconsiderable quantities. The bowels, as well as the surface of the earth, are ransacked for articles which were before neglected. Animals, plants, and minerals, acquire an utility and value which were before unexplored.

The foregoing considerations seem sufficient to establish, as general propositions, that it is the interest of nations to diversify the industrious pursuits of the individuals who compose them. That the establishment of manufactures is calculated not only to increase the general stock of useful and productive labor, but even to improve the state of agriculture in particular; certainly to advance the interests of those who are engaged in it. There are other views that will be hereafter taken of the subject, which it is conceived will serve to confirm these inferences.

III. Previously to a further discussion of the objections to the encouragement of manufactures, which have been stated, it will be of use to see what can be said in reference to the particular situation of the United States, against the conclusions appearing to result from what has been already offered.

It may be observed, and the idea is of no inconsiderable weight, that, however true it might be, that a State which, possessing large tracts of vacant and fertile territory, was, at the same time, secluded from foreign commerce, would find its interest and the interest of agriculture, in diverting a part of its population from tillage to manufactures; yet it will not follow, that the same is true of a State which, having such vacant and fertile territory, has, at the same time, ample opportunity of procuring from abroad, on good terms, all the fabrics of which it stands in need, for the supply of its inhabitants. The power of doing this, at least secures the great advantage of a division of labor, leaving the farmer free to pursue, exclusively, the culture of his land, and enabling him to procure with its products the manufactured supplies requisite either to his wants or to his enjoyments. And though it should be true that, in settled countries, the diversification of industry is conducive to an in-

crease in the productive powers of labor, and to an augmentation of revenue and capital; yet it is scarcely conceivable that there can be any thing of so solid and permanent advantage to an uncultivated and unpeopled country, as to convert its wastes into cultivated and inhabited districts. If the revenue, in the mean time, should be less, the capital, in the event, must be greater.

To these observations, the following appears to be a satisfactory answer:

1st. If the system of perfect liberty to industry and commerce were the prevailing system of nations, the arguments which dissuade a country, in the predicament of the United States, from the zealous pursuit of manufactures, would doubtless have great force. It will not be affirmed that they might not be permitted, with few exceptions, to serve as a rule of national conduct. In such a state of things, each country would have the full benefit of its peculiar advantages to compensate for its deficiencies or disadvantages. If one nation were in a condition to supply manufactured articles, on better terms than another, that other might find an abundant indemnification in a superior capacity to furnish the produce of the soil. And a free exchange, mutually beneficial, of the commodities which each was able to supply, on the best terms, might be carried on between them, supporting, in full vigor, the industry of each. And though the circumstances which have been mentioned, and others which will be unfolded hereafter, render it probable that nations, merely agricultural, would not enjoy the same degree of opulence, in proportion to their numbers, as those which united manufactures with agriculture; yet the progressive improvement of the lands of the former might, in the end, atone for an inferior degree of opulence in the mean time; and in a case in which opposite considerations are pretty equally balanced, the option ought, perhaps, always to be in favor of leaving industry to its own direction.

But the system which has been mentioned, is far from characterizing the general policy of nations. The prevalent one has been regulated by an opposite spirit. The consequence of it is,

that the United States are, to a certain extent, in the situation of a country precluded from foreign commerce. They can, indeed, without difficulty, obtain from abroad the manufactured supplies of which they are in want; but they experience numerous and very injurious impediments to the emission and vent of their own commodities. Nor is this the case in reference to a single foreign nation only. The regulations of several countries, with which we have the most extensive intercourse, throw serious obstructions in the way of the principal staples of the United States.

In such a position of things, the United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system which should induce them to confine their views to agriculture, and refrain from manufactures. A constant and increasing necessity, on their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorize them to aspire.

Remarks of this kind are not made in the spirit of complaint. It is for the nations whose regulations are alluded to, to judge for themselves, whether, by aiming at too much, they do not lose more than they gain. It is for the United States to consider by what means they can render themselves least dependent on the combinations, right or wrong, of foreign policy.

It is no small consolation, that, already, the measures which have embarrassed our trade, have accelerated internal improvements, which, upon the whole, have bettered our affairs. To diversify and extend these improvements is the surest and safest method of indemnifying ourselves for any inconveniences which those or similar measures have a tendency to beget. If Europe will not take from us the products of our soil, upon terms consistent with our interest, the natural remedy is to contract, as fast as possible, our wants of her.

2d. The conversion of their waste into cultivated lands, is certainly a point of great moment, in the political calcula-

tions of the United States. But the degree in which this may possibly be retarded, by the encouragement of manufactories, does not appear to countervail the powerful inducements to afford that encouragement.

An observation made in another place, is of a nature to have great influence upon this question. If it cannot be denied, that the interests, even of agriculture, may be advanced more by having such of the lands of a State as are occupied, under good cultivation, than by having a greater quantity occupied under a much inferior cultivation; and if manufactories, for the reasons assigned, must be admitted to have a tendency to promote a more steady and vigorous cultivation of the lands occupied, than would happen without them, it will follow that they are capable of indemnifying a country for a diminution of the progress of new settlements; and may serve to increase both the capital value, and the income of its lands, even though they should abridge the number of acres under tillage.

But it does by no means follow, that the progress of new settlements would be retarded by the extension of manufactures. The desire of being an independent proprietor of land, is founded on such strong principles in the human breast, that, where the opportunity of becoming so is as great as it is in the United States, the proportion will be small of those whose situations would otherwise lead to it, who would be diverted from it towards manufactures. And it is highly probable, as already intimated, that the accessions of foreigners, who, originally drawn over by manufacturing views, would afterwards abandon them for agricultural, would be more than an equivalent for those of our own citizens who might happen to be detached from them.

The remaining objections to a particular encouragement of manufactures in the United States, now require to be examined.

One of these turns on the proposition, that industry, if left to itself, will naturally find its way to the most useful and profitable employment. Whence it is inferred, that manufactures, without the aid of government, will grow up as soon and as fast as the natural state of things and the interest of the community may require.

Against the solidity of this hypothesis, in the full latitude of the terms, very cogent reasons may be offered. These have relation to the strong influence of habit and the spirit of imitation; the fear of want of success in untried enterprises; the intrinsic difficulties incident to first essays towards a competition with those who have previously attained to perfection in the business to be attempted; the bounties, premiums, and other artificial encouragements, with which foreign nations second the exertions of their own citizens, in the branches in which they are to be rivalled.

Experience teaches, that men are often so much governed by what they are accustomed to see and practise, that the simplest and most obvious improvements, in the most ordinary occupations, are adopted with hesitation, reluctance, and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different ones, may be expected to be attended with proportionably greater difficulty. When former occupations ceased to yield a profit adequate to the subsistence of their followers; or when there was an absolute deficiency of employment in them, owing to the superabundance of hands, changes would ensue; but these changes would be likely to be more tardy than might consist with the interest either of individuals or of the society. In many cases they would not happen, while a bare support could be insured by an adherence to ancient courses, though a resort to a more profitable employment might be practicable. To produce the desirable changes as early as may be expedient, may therefore require the incitement and patronage of government.

The apprehension of failing in new attempts, is, perhaps, a more serious impediment. There are dispositions apt to be attracted by the mere novelty of an undertaking; but these are not always those best calculated to give it success. To this it is of importance that the confidence of cautious, sagacious capitalists, both citizens and foreigners, should be excited. And to inspire this description of persons with confidence, it is essential that they should be made to see in any project which is new—

and for that reason alone, if for no other, precarious—the prospect of such a degree of countenance and support from government, as may be capable of overcoming the obstacles inseparable from first experiments.

The superiority antecedently enjoyed by nations who have preoccupied and perfected a branch of industry, constitutes a more formidable obstacle than either of those which have been mentioned, to the introduction of the same branch into a country in which it did not before exist. To maintain, between the recent establishments of one country, and the long matured establishments of another country, a competition upon equal terms, both as to quality and price, is, in most cases, impracticable. The disparity, in the one, or in the other, or in both, must necessarily be so considerable, as to forbid a successful rivalship, without the extraordinary aid and protection of government.

But the greatest obstacle of all to the successful prosecution of a new branch of industry in a country in which it was before unknown, consists, as far as the instances apply, in the bounties, premiums, and other aids, which are granted in a variety of cases, by the nations in which the establishments to be imitated are previously introduced. It is well known (and particular examples, in the course of this report, will be cited) that certain nations grant bounties on the exportation of particular commodities, to enable their own workmen to undersell and supplant all competitors in the countries to which those commodities are sent. Hence the undertakers of a new manufacture have to contend, not only with the natural disadvantages of a new undertaking, but with the gratuities and remunerations which other governments bestow. To be enabled to contend with success, it is evident that the interference and aid of their own governments are indispensable.

Combinations by those engaged in a particular branch of business, in one country, to frustrate the first efforts to introduce it into another, by temporary sacrifices, recompensed, perhaps, by extraordinary indemnifications of the government of such country, are believed to have existed, and are not to be regarded as destitute of probability. The existence or assurance of aid

from the government of the country in which the business is to be introduced, may be essential to fortify adventurers against the dread of such combinations; to defeat their effects, if formed; and to prevent their being formed, by demonstrating that they must in the end prove fruitless.

Whatever room there may be for an expectation, that the industry of a people, under the direction of private interest, will, upon equal terms, find out the most beneficial employment for itself, there is none for a reliance, that it will struggle against the force of unequal terms, or will, of itself, surmount all the adventitious barriers to a successful competition, which may have been erected, either by the advantages naturally acquired from practice, and previous possession of the ground, or by those which may have sprung from positive regulations and an artificial policy. This general reflection might alone suffice as an answer to the objection under examination, exclusively of the weighty considerations which have been particularly urged.

The objections to the pursuit of manufactures in the United States, which next present themselves to discussion, represent an impracticability of success, arising from three causes: scarcity of hands, dearness of labor, want of capital.

The two first circumstances are, to a certain extent, real; and, within due limits, ought to be admitted as obstacles to the success of manufacturing enterprise in the United States. But there are various considerations which lessen their force, and tend to afford an assurance, that they are not sufficient to prevent the advantageous prosecution of many very useful and extensive manufactories.

With regard to scarcity of hands, the fact itself must be applied with no small qualification to certain parts of the United States. There are large districts which may be considered as pretty fully peopled; and which, notwithstanding a continual drain for distant settlement, are thickly interspersed with flourishing and increasing towns. If these districts have not already reached the point at which the complaint of scarcity of hands ceases, they are not remote from it, and are approaching fast towards it; and having, perhaps, fewer attractions to agriculture

than some other parts of the Union, they exhibit a proportionably stronger tendency towards other kinds of industry. In these districts may be discerned no inconsiderable maturity for manufacturing establishments.

But there are circumstances, which have been already noticed, with another view, that materially diminish, every where, the effect of a scarcity of hands. These circumstances are, the great use which can be made of women and children, on which point a very pregnant and instructive fact has been mentioned—the vast extension given by late improvements to the employment of machines—which, substituting the agency of fire and water, has prodigiously lessened the necessity for manual labor; the employment of persons ordinarily engaged in other occupations, during the seasons or hours of leisure, which, besides giving occasion to the exertion of a greater quantity of labor, by the same number of persons, and thereby increasing the general stock of labor, as has been elsewhere remarked, may also be taken into the calculation, as a resource for obviating the scarcity of hands; lastly, the attraction of foreign emigrants. Whoever inspects, with a careful eye, the composition of our towns, will be made sensible to what an extent this resource may be relied upon. This exhibits a large proportion of ingenious and valuable workmen, in different arts and trades, who, by expatriating from Europe, have improved their own condition, and added to the industry and wealth of the United States. It is a natural inference, from the experience we have already had, that, as soon as the United States shall present the countenance of a serious prosecution of manufactures; as soon as foreign artists shall be made sensible that the state of things here affords a moral certainty of employment and encouragement; competent numbers of European workmen will transplant themselves, effectually to insure the success of the design. How, indeed, can it otherwise happen, considering the various and powerful inducements which the situation of this country offers—addressing themselves to so many strong passions and feelings, to so many general and particular interests.

It may be affirmed, therefore, in respect to hands for carrying

on manufactures, that we shall, in a great measure, trade upon a foreign stock, reserving our own for the cultivation of our lands and the manning of our ships, as far as character and circumstances shall incline. It is not unworthy of remark, that the objection to the success of manufactures, deduced from the scarcity of hands, is alike applicable to trade and navigation, and yet these are perceived to flourish, without any sensible impediment from that cause.

As to the dearness of labor (another of the obstacles alleged), this has relation principally to two circumstances: one, that which has been just discussed, or the scarcity of hands; the other, the greatness of profits.

As far as it is a consequence of the scarcity of hands, it is mitigated by all the considerations which have been adduced as lessening that deficiency. It is certain, too, that the disparity in this respect, between some of the most manufacturing parts of Europe, and a large proportion of the United States, is not nearly so great as is commonly imagined. It is also much less in regard to artificers and manufacturers, than in regard to country laborers; and while a careful comparison shows that there is, in this particular, much exaggeration; it is also evident, that the effect of the degree of disparity, which does truly exist, is diminished in proportion to the use which can be made of machinery.

To illustrate this last idea, let it be supposed that the difference of price, in two countries, of a given quantity of manual labor, requisite to the fabrication of a given article, is as ten; and that some mechanic power is introduced into both countries, which, performing half the necessary labor, leaves only half to be done by hand; it is evident that the difference in the cost of the fabrication of the article in question, in the two countries, as far as it is connected with the price of labor, will be reduced from ten to five, in consequence of the introduction of that power.

This circumstance is worthy of the most particular attention. It diminishes immensely one of the objections most strenuously urged against the success of manufactures in the United States.

To procure all such machines as are known in any part of Europe, can only require a proper provision and due pains. The

knowledge of several of the most important of them is already possessed. The preparation of them here is, in most cases, practicable on nearly equal terms. As far as they depend on water, some superiority of advantages may be claimed, from the uncommon variety and greater cheapness of situations adapted to mill-seats, with which different parts of the United States abound.

So far as the dearness of labor may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The undertaker can afford to pay the price.

There are grounds to conclude, that undertakers of manufactures in this country, can, at this time, afford to pay higher wages to the workmen they may employ, than are paid to similar workmen in Europe. The prices of foreign fabrics, in the market of the United States, which will, for a long time, regulate the prices of the domestic ones, may be considered as compounded of the following ingredients: The first cost of materials, including the taxes, if any, which are paid upon them where they are made; the expense of grounds, buildings, machinery, and tools; the wages of the persons employed in the manufactory; the profits on the capital or stock employed; the commissions of agents to purchase them where they are made; the expense of transportation to the United States, including insurance and other incidental charges; the taxes or duties, if any, and fees of office, which are paid on their exportation; the taxes or duties, and fees of office, which are paid on their importation.

As to the first of these items, the cost of materials, the advantage, upon the whole, is at present on the side of the United States; and the difference in their favor must increase, in proportion as a certain and extensive domestic demand shall induce the proprietors of land to devote more of their attention to the production of those materials. It ought not to escape observation, in a comparison on this point, that some of the principal manufacturing countries of Europe are much more dependent on foreign supply, for the materials of their manufactures, than would be the United States, who are capable of supplying themselves with a greater abundance, as well as a greater variety of the requisite materials.

As to the second item, the expense of grounds, buildings, machinery, and tools, an equality, at least, may be assumed; since advantages, in some particulars, will counterbalance temporary disadvantages in others.

As to the third item, or the article of wages, the comparison certainly turns against the United States; though, as before observed, not in so great a degree as commonly supposed.

The fourth item is alike applicable to the foreign and to the domestic manufacture. It is, indeed, more properly a result, than a particular to be compared.

But, with respect to all the remaining items, they are alone applicable to the foreign manufacture, and, in the strictest sense, extraordinaries; constituting a sum of extra charge on the foreign fabric, which cannot be estimated at less than from fifteen to thirty per cent on the cost of it at the manufactory.

This sum of extra charge may confidently be regarded as more than a counterpoise for the real difference in the price of labor; and is a satisfactory proof that manufactures may prosper, in defiance of it, in the United States.

To the general allegation, connected with the circumstances of scarcity of hands and dearness of labor, that extensive manufactures can only grow out of a redundant or full population, it will be sufficient to answer generally, that the fact has been otherwise. That the situation alleged to be an essential condition of success, has not been that of several nations, at periods when they had already attained to maturity in a variety of manufactures.

The supposed want of capital for the prosecution of manufactures in the United States, is the most indefinite of the objections which are usually opposed to it.

It is very difficult to pronounce any thing precise concerning the real extent of the moneyed capital of a country, and still more, concerning the proportion which it bears to the objects that invite the employment of capital. It is not less difficult to pronounce, how far the effect of any given quantity of money, as capital, or in other words, as a medium for circulating the industry and property of a nation, may be increased by the very cir-

cumstance of the additional motion which is given to it, by new objects of employment. That effect, like the momentum of descending bodies, may not improperly be represented as in a compound ratio to mass and velocity. It seems pretty certain, that a given sum of money, in a situation in which the quick impulses of commercial activity were little felt, would appear inadequate to the circulation of as great a quantity of industry and property, as in one in which their full influence was experienced.

It is not obvious why the same objection might not as well be made to external commerce as to manufactures: since it is manifest, that our immense tracts of land, occupied and unoccupied, are capable of giving employment to more capital than is actually bestowed upon them. It is certain that the United States offer a vast field for the advantageous employment of capital; but it does not follow that there will not be found, in one way or another, a sufficient fund for the successful prosecution of any species of industry which is likely to prove truly beneficial.

The following considerations are of a nature to remove all inquietude on the score of want of capital:

The introduction of banks, as has been shown on another occasion, has a powerful tendency to extend the active capital of a country. Experience of the utility of these institutions, is multiplying them in the United States. It is probable that they will be established wherever they can exist with advantage; and wherever they can be supported, if administered with prudence, they will add new energies to all pecuniary operations.

The aid of foreign capital may safely, and with considerable latitude, be taken into calculation. Its instrumentality has been long experienced in our external commerce; and it has begun to be felt in various other modes. Not only our funds, but our agriculture, and other internal improvements, have been animated by it. It has already, in a few instances, extended even to our manufactures.

It is a well known fact that there are parts of Europe which have more capital than profitable domestic objects of employment. Hence, among other proofs, the large loans continually furnished to foreign States. And it is equally certain, that the

capital of other parts may find more profitable employment in the United States than at home. And, notwithstanding there are weighty inducements to prefer the employment of capital at home, even at less profit, to an investment of it abroad, though with greater gain, yet these inducements are overruled, either by a deficiency of employment, or by a very material difference in profit. Both these causes operate to produce a transfer of foreign capital to the United States. It is certain, that various objects in this country hold out advantages, which are with difficulty to be equalled elsewhere; and under the increasingly favorable impressions which are entertained of our Government, the attractions will become more and more strong. These impressions will prove a rich mine of prosperity to the country, if they are confirmed and strengthened by the progress of our affairs. And, to secure this advantage, little more is now necessary than to foster industry, and cultivate order and tranquillity at home and abroad.

It is not impossible, that there may be persons disposed to look, with a jealous eye, on the introduction of foreign capital, as if it were an instrument to deprive our own citizens of the profits of our own industry; but, perhaps, there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be considered as a most valuable auxiliary, conducing to put in motion a greater quantity of productive labor, and a greater portion of useful enterprise, than could exist without it. It is at least evident, that, in a country situated like the United States, with an infinite fund of resources yet to be unfolded, every farthing of foreign capital which is laid out in internal meliorations, and in industrious establishments, of a permanent nature, is a precious acquisition.

And, whatever be the objects which originally attract foreign capital, when once introduced, it may be directed towards any purpose of beneficial exertion which is desired. And to detain it among us, there can be no expedient so effectual, as to enlarge the sphere within which it may be usefully employed: though introduced merely with views to speculations in the funds, it may afterwards be rendered subservient to the interests of agriculture, commerce, and manufactures.

But the attraction of foreign capital for the direct purpose of manufactures, ought not to be deemed a chimerical expectation. There are already examples of it, as remarked in another place. And the examples, if the disposition be cultivated, can hardly fail to multiply. There are, also, instances of another kind, which serve to strengthen the expectation. Enterprises for improving the public communications, by cutting canals, opening the obstructions in rivers, and erecting bridges, have received very material aid from the same source.

When the manufacturing capitalist of Europe shall advert to the many important advantages which have been intimated in the course of this report, he cannot but perceive very powerful inducements to a transfer of himself and his capital to the United States. Among the reflections which a most interesting peculiarity of situation is calculated to suggest, it cannot escape his observation, as a circumstance of moment in the calculation, that the progressive population and improvement of the United States insure a continually increasing domestic demand for the fabrics which he shall produce, not to be affected by any external casualties or vicissitudes.

But, while there are circumstances sufficiently strong to authorize a considerable degree of reliance on the aid of foreign capital, towards the attainment of the object in view, it is satisfactory to have good grounds of assurance, that there are domestic resources, of themselves adequate to it. It happens that there is a species of capital, actually existing with the United States, which relieves from all inquietude, on the score of want of capital. This is the funded debt.

The effect of a funded debt, as a species of capital, has been noticed upon a former occasion; but a more particular elucidation of the point seems to be required, by the stress which is here laid upon it. This shall, accordingly, be attempted.

Public funds answer the purpose of capital, from the estimation in which they are usually held by moneyed men; and, consequently, from the ease and dispatch with which they can be turned into money. This capacity of prompt convertibility into money, causes a transfer of stock to be, in a great number of

cases, equivalent to a payment in coin. And where it does not happen to suit the party who is to receive, to accept a transfer of stock, the party who is to pay is never at a loss to find, elsewhere, a purchaser of his stock, who will furnish him, in lieu of it, with the coin of which he stands in need.

Hence, in a sound and settled state of the public funds, a man possessed of a sum in them, can embrace any scheme of business which offers, with as much confidence as if he were possessed of an equal sum in coin.

This operation of public funds as capital, is too obvious to be denied; but it is objected to the idea of their operating as an augmentation of the capital of the community, that they serve to occasion the destruction of some other capital, to an equal amount.

The capital, which alone they can be supposed to destroy, must consist of—

The annual revenue, which is applied to the payment of interest on the debt, and to the gradual redemption of the principal; the amount of the coin, which is employed in circulating the funds, or, in other words, in effecting the different alienations which they undergo.

But the following appears to be the true and accurate view of this matter.

1st. As to the point of the annual revenue requisite for payment of interest and redemption of principal.

As a determinate proportion will tend to perspicuity in the reasoning, let it be supposed, that the annual revenue to be applied, corresponding with the modification of the six per cent. stock of the United States, is in the ratio of eight upon the hundred; that is, in the first instance, six on account of interest, and two on account of principal.

Thus far, it is evident, that the capital destroyed, to the capital created, would bear no greater proportion than eight to one hundred. There would be withdrawn, from the total mass of other capitals, a sum of eight dollars to be paid to the public creditor; while he would be possessed of a sum of one hundred dollars, ready to be applied to any purpose, to be embarked in

any enterprise which might appear to him eligible. Here, then, the augmentation of capital, or the excess of that which is produced beyond that which is destroyed, is equal to ninety-two dollars.

To this conclusion, it may be objected, that the sum of eight dollars is to be withdrawn annually, until the whole hundred is extinguished; and it may be inferred, that, in process of time, a capital will be destroyed equal to that which is at first created.

But it is nevertheless true, that, during the whole of the interval, between the creation of the capital of one hundred dollars, and its reduction to a sum not greater than that of the annual revenue appropriated to its redemption, there will be a greater active capital in existence than if no debt had been contracted. The sum drawn from other capitals in any one year, will not exceed eight dollars; but there will be, at every instant of time, during the whole period in question, a sum corresponding with so much of the principal as remains unredeemed, in the hands of some person or other, employed or ready to be employed, in some profitable undertaking. There will, therefore, constantly be more capital in capacity to be employed, than capital taken from employment. The excess, for the first year, has been stated to be ninety-two dollars; it will diminish yearly; but there always will be an excess, until the principal of the debt is brought to a level with the redeeming annuity; that is, in the case which has been assumed, by way of example, to eight dollars. The reality of this excess becomes palpable, if it be supposed, as often happens, that the citizen of a foreign country imports into the United States one hundred dollars for the purchase of an equal sum of public debt—here is an absolute augmentation of the mass of circulating coin to the extent of one hundred dollars. At the end of the year, the foreigner is presumed to draw back eight dollars, on account of his principal and interest, but he still leaves ninety-two of his original deposit in circulation, as he, in like manner, leaves eighty-four at the end of the second year, drawing back then, also, the annuity of eight dollars. And thus the matter proceeds: the capital left in circulation diminishing, in each year, and coming nearer to

the level of the annuity drawn back. There are, however, some differences in the ultimate operation of the part of the debt which is purchased by foreigners, and that which remains in the hands of citizens. But the general effect in each case, though in different degrees, is, to add to the active capital of the country.

Hitherto, the reasoning has proceeded on a concession of the position, that there is a destruction of some other capital, to the extent of the annuity appropriated to the payment of the interest, and the redemption of the principal of the debt; but in this too much has been conceded. There is, at most, a temporary transfer of some other capital, to the amount of the annuity, from those who pay, to the creditor, who receives; which he again restores to the circulation, to resume the offices of a capital. This he does either immediately, by employing the money in some branch of industry, or mediately, by lending it to some other person, who does so employ it, or by spending it on his own maintenance. In either supposition, there is no destruction of capital; there is nothing more than a suspension of its motion for a time: that is, while it is passing from the hands of those who pay into the public coffers, and thence, through the public creditor, into some other channel of circulation. When the payments of interest are periodical and quick, and made by the instrumentality of banks, the diversion or suspension of capital may almost be denominated momentary. Hence the deduction, on this account, is far less than it at first sight appears to be.

There is, evidently, as far as regards the annuity, no destruction nor transfer of any other capital than that portion of the income of each individual, which goes to make up the annuity. The land which furnishes the farmer with the sum which he is to contribute, remains the same; and the like may be observed of other capitals. Indeed, as far as the tax, which is the object of contribution (as frequently happens, when it does not oppress by its weight) may have been a motive to greater exertion in any occupation, it may even serve to increase the contributory capital. This idea is not without importance in the general view of the subject.

It remains to see what farther deduction ought to be made from the capital which is created, by the existence of the debt, on account of the coin which is employed in its circulation. This is susceptible of much less precise calculation than the article which has been just discussed. It is impossible to say what proportion of coin is necessary to carry on the alienations which any species of property usually undergoes. The quantity, indeed, varies according to circumstances. But it may still, without hesitation, be pronounced, from the quickness of the rotation, or, rather, of the transitions, that the medium of circulation always bears but a small proportion to the amount of the property circulated. And it is thence satisfactorily deducible, that the coin employed in the negotiations of the funds, and which serves to give them activity, as capital, is incomparably less than the sum of the debt negotiated for the purpose of business.

It ought not, however, to be omitted, that the negotiation of the funds becomes itself a distinct business, which employs, and, by employing, diverts, a portion of the circulating coin from other pursuits. But, making due allowance for this circumstance, there is no reason to conclude that the effect of the diversion of coin, in the whole operation, bears any considerable proportion to the amount of the capital to which it gives activity. The sum of the debt in circulation is continually at the command of any useful enterprise; the coin itself, which circulates it, is never more than momentarily suspended from its ordinary functions. It experiences an incessant and rapid flux and reflux, to and from the channels of industry, to those of speculations in the funds.

There are strong circumstances in confirmation of this theory. The force of moneyed capital, which has been displayed in Great Britain, and the height to which every species of industry has grown up under it, defy a solution, from the quantity of coin which that kingdom has ever possessed. Accordingly, it has been, coeval with its funding system, the prevailing opinion of the men of business, and of the generality of the most sagacious theorists of that country, that the operation of the public funds,

as capital, has contributed to the effect in question. Among ourselves, appearances, thus far, favor the same conclusion. Industry, in general, seems to have been reanimated. There are symptoms indicating an extension of our commerce. Our navigation has certainly, of late, had a considerable spring; and there appears to be, in many parts of the Union, a command of capital, which, till lately, since the Revolution, at least, was unknown. But, it is, at the same time, to be acknowledged, that other circumstances have concurred (and in a great degree) in producing the present state of things, and that the appearances are not yet sufficiently decisive to be entirely relied upon.

In the question under discussion, it is important to distinguish between an absolute increase of capital, or an accession of real wealth, and an artificial increase of capital, as an engine of business, or as an instrument of industry and commerce. In the first sense, a funded debt has no pretensions to being deemed an increase of capital; in the last, it has pretensions which are not easy to be controverted. Of a similar nature is bank credit; and, in an inferior degree, every species of private credit.

But, though a funded debt is not, in the first instance, an absolute increase of capital, or an augmentation of real wealth; yet, by serving as a new power in the operations of industry, it has, within certain bounds, a tendency to increase the real wealth of a community, in like manner, as money, borrowed by a thrifty farmer, to be laid out in the improvement of his farm, may, in the end, add to his stock of real riches.

There are respectable individuals, who, from a just aversion to an accumulation of public debt, are unwilling to concede to it any kind of utility; who can discern no good to alleviate the ill with which they suppose it pregnant; who cannot be persuaded that it ought, in any sense, to be viewed as an increase of capital, lest it should be inferred, that, the more debt, the more capital; the greater the burthens, the greater the blessings of the community.

But it interests the public councils to estimate every object as it truly is; to appreciate how far the good, in any measure, is compensated by the ill, or the ill by the good: either of them is seldom unmixed.

Neither will it follow that an accumulation of debt is desirable, because a certain degree of it operates as capital. There may be a plethora in the political as in the natural body; there may be a state of things in which any such artificial capital is unnecessary. The debt, too, may be swelled to such a size as that the greatest part of it may cease to be useful as a capital, serving only to pamper the dissipation of idle and dissolute individuals; as that the sums required to pay the interest upon it may become oppressive, and beyond the means which a government can employ, consistently with its tranquillity, to raise them; as that the resources of taxation to face the debt may have been strained too far to admit of extensions adequate to exigencies which regard the public safety.

Where this critical point is, cannot be pronounced; but it is impossible to believe that there is not such a point.

And as the vicissitudes of nations beget a perpetual tendency to the accumulation of debt, there ought to be, in every government, a perpetual, anxious, and unceasing effort to reduce that which at any time exists, as fast as shall be practicable, consistently with integrity and good faith.

Reasonings on a subject comprehending ideas so abstract and complex, so little reducible to a precise calculation, as those which enter into the question just discussed, are always attended with a danger of running into fallacies. Due allowance ought, therefore, to be made for this possibility. But, as far as the nature of the subject admits of it, there appears to be satisfactory ground for a belief that the public funds operate as a resource of capital to the citizens of the United States; and, if they are a resource at all, it is an extensive one.

To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States, it might have been a sufficient answer to have referred to the experience of what has been already done. It is certain that several important branches have grown up and flourished, with a rapidity which surprises, affording an encouraging assurance of success in future attempts. Of these it may not be improper to enumerate the most considerable:

1. *Of Skins.*—Tanned and tawed leather, dressed skins, shoes, boots, and slippers, harness and saddlery of all kinds, portmanteaus and trunks, leather breeches, gloves, muffs, and tippets, parchment and glue.

2. *Of Iron.*—Bar and sheet iron, steel, nail rods and nails, implements of husbandry, stoves, pots, and other household utensils, the steel and iron work of carriages, and for ship building, anchors, scale beams and weights, and various tools of artificers, arms of different kinds; though the manufacture of these last has of late diminished for want of demand.

3. *Of Wood.*—Ships, cabinet wares, and turnery, wool and cotton cards, and other machinery for manufactures and husbandry, mathematical instruments, coopers' wares of every kind.

4. *Of Flax and Hemp.*—Cables, sail cloth, cordage, twine, and pack thread.

5. Bricks and coarse tiles, and potters' wares.

6. Ardent spirits and malt liquors.

7. Writing and printing paper, sheathing and wrapping paper, pasteboard, fullers' or press papers, paper hangings.

8. Hats of fur and wool, and mixtures of both; women's stuff and silk shoes.

9. Refined sugars.

10. Oils of animals and seeds, soap, spermaceti and tallow candles.

11. Copper and brass wires, particularly utensils for distillers, sugar refiners, and brewers; andirons and other articles for household use, philosophical apparatus.

12. Tin wares for most purposes of ordinary use.

13. Carriages of all kinds.

14. Snuff, chewing and smoking tobacco.

15. Starch and hair-powder.

16. Lampblack, and other painters' colors.

17. Gunpowder.

Besides manufactories of these articles, which are carried on as regular trades, and have attained to a considerable degree of maturity, there is a vast scene of household manufacturing, which contributes more largely to the supply of the community

than could be imagined, without having made it an object of particular inquiry. This observation is the pleasing result of the investigation to which the subject of this report has led, and is applicable as well to the Southern as to the Middle and Northern States. Great quantities of coarse cloths, coatings, serges, and flannels, linsey woolseys, hosiery of wool, cotton, and thread, coarse fustians, jeans, and muslins, checked and striped cotton and linen goods, bed-ticks, coverlets and counterpanes, tow linens, coarse shirtings, sheetings, towelling, and table linen, and various mixtures of wool and cotton, and of cotton and flax, are made in the household way, and, in many instances, to an extent not only sufficient for the supply of the families in which they are made, but for sale, and, even, in some cases, for exportation. It is computed in a number of districts that two-thirds, three-fourths, and even four-fifths, of all the clothing of the inhabitants, are made by themselves. The importance of so great a progress as appears to have been made in family manufactures, within a few years, both in a moral and political view, renders the fact highly interesting.

Neither does the above enumeration comprehend all the articles that are manufactured, as regular trades. Many others occur, which are equally well established, but which, not being of equal importance, have been omitted. And there are many attempts, still in their infancy, which though attended with very favorable appearances, could not have been properly comprised in an enumeration of manufactories already established. There are other articles, also, of great importance, which, though, strictly speaking, manufactures, are omitted, as being immediately connected with husbandry: such are flour, pot and pearl ashes, pitch, tar, turpentine, and the like.

There remains to be noticed an objection to the encouragement of manufactures, of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly of advantages to particular classes, at the expense of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners than from

our own citizens; and who, it is alleged, are reduced to the necessity of paying an enhanced price for whatever they want, by every measure which obstructs the free competition of foreign commodities.

It is not an unreasonable supposition, that measures which serve to abridge the free competition of foreign articles, have a tendency to occasion an enhancement of prices; and it is not to be denied that such is the effect, in a number of cases; but the fact does not uniformly correspond with the theory. A reduction of prices has, in several instances, immediately succeeded the establishment of a domestic manufacture. Whether it be that foreign manufacturers endeavor to supplant, by underselling our own, or whatever else be the cause, the effect has been such as is stated, and the reverse of what might have been expected.

But, though it were true that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics, was an increase of price, it is universally true that the contrary is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded, and accordingly seldom never fails to be sold, cheaper, in process of time, than was the foreign article for which it is a substitute. The internal competition which takes place, soon does away every thing like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed. This accords with the reason of the thing, and with experience.

Whence it follows, that it is the interest of a community, with a view to eventual and permanent economy, to encourage the growth of manufactures. In a national view, a temporary enhancement of price must always be well compensated by a permanent reduction of it.

It is a reflection which may with propriety be indulged here, that this eventual diminution of the prices of manufactured articles, which is the result of internal manufacturing establishments,

has a direct and very important tendency to benefit agriculture. It enables the farmer to procure, with a smaller quantity of his labor, the manufactured produce of which he stands in need, and consequently increases the value of his income and property.

The objections which are commonly made to the expediency of encouraging, and to the probability of succeeding in manufacturing pursuits, in the United States, having now been discussed, the considerations, which have appeared in the course of the discussion, recommending that species of industry to the patronage of the Government, will be materially strengthened by a few general, and some particular topics, which have been naturally reserved for subsequent notice.

1. There seems to be a moral certainty that the trade of a country, which is both manufacturing and agricultural, will be more lucrative and prosperous than that of a country which is merely agricultural.

One reason for this is found in that general effort of nations (which has been already mentioned) to procure from their own soils, the articles of prime necessity requisite to their own consumption and use, and which serves to render their demand for a foreign supply of such articles, in a great degree, occasional and contingent. Hence while the necessities of nations, exclusively devoted to agriculture, for the fabrics of manufacturing States, are constant and regular, the wants of the latter for the products of the former are liable to very considerable fluctuations and interruptions. The great inequalities resulting from difference of seasons, have been, elsewhere, remarked. This uniformity of demand on one side, and unsteadiness of it on the other, must necessarily have a tendency to cause the general course of the exchange of commodities between the parties, to turn to the disadvantage of the merely agricultural States. Peculiarity of situation, a climate and soil adapted to the production of peculiar commodities, may, sometimes, contradict the rule, but there is every reason to believe that it will be found, in the main, a just one.

Another circumstance, which gives a superiority of commercial advantages to States that manufacture as well as cultivate,

consists in the more numerous attractions which a more diversified market offers to foreign customers, and in the greater scope which it affords to mercantile enterprise. It is a position of indisputable truth, in commerce, depending too on very obvious reasons, that the greatest resort will ever be to those marts where commodities, while equally abundant, are most various. Each difference of kind holds out an additional inducement: and it is a position not less clear, that the field of enterprise must be enlarged to the merchants of a country, in proportion to the variety, as well as the abundance of commodities which they find at home, for exportation to foreign markets.

A third circumstance, perhaps not inferior to either of the other two, conferring the superiority which has been stated, has relation to the stagnations of demand for certain commodities, which, at some time or other, interfere more or less with the sale of all. The nation which can bring to market but few articles, is likely to be more quickly and sensibly affected by such stagnations, than one which is always possessed of a great variety of commodities; the former frequently finds too great a proportion of its stock of materials for sale or exchange, lying on hand, or is obliged to make injurious sacrifices to supply its wants of foreign articles, which are numerous and urgent, in proportion to the smallness of the number of its own. The latter commonly finds itself indemnified by the high prices of some articles, for the low prices of others; and the prompt and advantageous sale of those articles which are in demand, enables its merchants the better to wait for a favorable change in respect to those which are not. There is ground to believe that a difference of situation, in this particular, has immensely different effects upon the wealth and prosperity of nations.

From these circumstances, collectively, two important inferences are to be drawn: one, that there is always a higher probability of a favorable balance of trade, in regard to countries in which manufactures, founded on the basis of a thriving agriculture, flourish, than in regard to those which are confined wholly, or almost wholly, to agriculture; the other (which is also a consequence of the first), that countries of the former description

are likely to possess more pecuniary wealth, or money, than those of the latter.

Facts appear to correspond with this conclusion. The importations of manufactured supplies seem invariably to drain the merely agricultural people of their wealth. Let the situation of the manufacturing countries of Europe be compared, in this particular, with that of countries which only cultivate, and the disparity will be striking. Other causes, it is true, help to account for this disparity between some of them; and among these causes, the relative state of agriculture; but between others of them, the most prominent circumstance of dissimilitude arises from the comparative state of manufactures. In corroboration of the same idea, it ought not to escape remark, that the West India Islands, the soils of which are the most fertile, and the nation which, in the greatest degree, supplies the rest of the world with the precious metals, exchange to a loss, with almost every other country.

As far as experience, at home, may guide, it will lead to the same conclusion. Previous to the Revolution, the quantity of coin possessed by the colonies which now compose the United States, appeared to be inadequate to their circulation; and their debt to Great Britain was progressive. Since the Revolution, the States in which manufactures have most increased, have recovered fastest from the injuries of the late war, and abound most in pecuniary resources.

It ought to be admitted, however, in this, as in the preceding case, that causes irrelative to the state of manufactures, account, in a degree, for the phenomena remarked. The continual progress of new settlements has a natural tendency to occasion an unfavorable balance of trade; though it indemnifies for the inconvenience, by that increase of the national capital which flows from the conversion of waste into improved lands: and the different degrees of external commerce which are carried on by the different States, may make material differences in the comparative state of their wealth. The first circumstance has reference to the deficiency of coin, and the increase of debt previous to the Revolution; the last, to the advantages which the most manufacturing States appear to have enjoyed over the others, since the termination of the late war.

But the uniform appearance of an abundance of specie, as the concomitant of a flourishing state of manufactures, and of the reverse, where they do not prevail, afford a strong presumption of their favorable operation upon the wealth of a country.

Not only the wealth, but the independence and security of a country, appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavor to possess within itself, all the essentials of national supply. These comprise the means of subsistence, habitation, clothing, and defence.

The possession of these is necessary to the perfection of the body politic; to the safety as well as to the welfare of the society. The want of either is the want of an important organ of political life and motion; and in the various crises which await a State, it must severely feel the effects of any such deficiency. The extreme embarrassments of the United States, during the late war, from an incapacity of supplying themselves, are still matter of keen recollection; a future war might be expected again to exemplify the mischiefs and dangers of a situation, to which that incapacity is still, in too great a degree, applicable, unless changed by timely and vigorous exertion. To effect this change, as fast as shall be prudent, merits all the attention and all the zeal of our public councils: 'tis the next great work to be accomplished.

The want of a navy, to protect our external commerce, as long as it shall continue, must render it a peculiarly precarious reliance for the supply of essential articles, and must serve to strengthen prodigiously the arguments in favor of manufactures.

To these general considerations are added some of a more particular nature.

Our distance from Europe, the great fountain of manufactured supply, subjects us, in the existing state of things, to inconvenience and loss, in two ways.

The bulkiness of those commodities, which are the chief productions of the soil, necessarily imposes very heavy charges on their transportation to distant markets. These charges, in the cases in which the nations to whom our products are sent, maintain a competition in the supply of their own markets, principally

fall upon us, and form material deductions from the primitive value of the articles furnished. The charges on manufactured supplies, brought from Europe, are greatly enhanced by the same circumstances of distance. These charges, again, in the cases in which our own industry maintains no competition in our own markets, also principally fall upon us, and are an additional cause of extraordinary deduction from the primitive value of our own products; these being the materials of exchange for the foreign fabrics which we consume.

The equality and moderation of individual property, and the growing settlements of new districts, occasion, in this country, an unusual demand for coarse manufactures; the charges of which being greater in proportion to their greater bulk, augment the disadvantage which has been just described.

As, in most countries, domestic supplies maintain a very considerable competition with such foreign productions of the soil as are imported for sale, if the extensive establishment of manufactories in the United States does not create a similar competition in respect to manufactured articles, it appears to be clearly deducible, from the considerations which have been mentioned, that they must sustain a double loss in their exchanges with foreign nations, strongly conducive to an unfavorable balance of trade, and very prejudicial to their interests.

These disadvantages press, with no small weight, on the landed interest of the country. In seasons of peace, they cause a serious deduction from the intrinsic value of the products of the soil. In the time of a war, which should either involve ourselves, or another nation possessing a considerable share of our carrying trade, the charges on the transportation of our commodities, bulky as most of them are, could hardly fail to prove a grievous burthen to the farmer, while obliged to depend, in so great a degree as he now does, upon foreign markets, for the vent of the surplus of his labor.

As far as the prosperity of the fisheries of the United States is impeded by the want of an adequate market, there arises another special reason for desiring the extension of manufactures. Besides the fish, which, in many places, would be likely to make

a part of the subsistence of the persons employed, it is known that the oils, bones, and skins, of marine animals, are of extensive use in various manufactures. Hence, the prospect of an additional demand for the produce of the fisheries.

One more point of view only remains, in which to consider the expediency of encouraging manufactures in the United States.

It is not uncommon to meet with an opinion, that, though the promoting of manufactures may be the interest of a part of the Union, it is contrary to that of another part. The Northern and Southern regions are sometimes represented as having adverse interests in this respect. Those are called manufacturing, these agricultural States; and a species of opposition is imagined to subsist between the manufacturing and agricultural interests.

This idea of an opposition between those two interests, is the common error of the early periods of every country; but experience gradually dissipates it. Indeed, they are perceived so often to succor and befriend each other, that they come at length to be considered as one—a supposition which has been frequently abused, and is not universally true. Particular encouragements of particular manufactures may be of a nature to sacrifice the interests of landholders to those of manufacturers; but it is nevertheless a maxim, well established by experience, and generally acknowledged, where there has been sufficient experience, that the aggregate prosperity of manufactures and the aggregate prosperity of agriculture are intimately connected. In the course of the discussion which has had place, various weighty considerations have been adduced, operating in support of that maxim. Perhaps the superior steadiness of the demand of a domestic market, for the surplus produce of the soil, is, alone, a convincing argument of its truth.

Ideas of a contrariety of interests between the Northern and Southern regions of the Union, are, in the main, as unfounded as they are mischievous. The diversity of circumstances, on which such contrariety is usually predicated, authorizes a directly contrary conclusion. Mutual wants constitute one of the strongest links of political connection; and the extent of these bears

a natural proportion to the diversity in the means of mutual supply.

Suggestions of an opposite complexion are ever to be deplored, as unfriendly to the steady pursuit of one great common cause, and to the perfect harmony of all the parts.

In proportion as the mind is accustomed to trace the intimate connection of interest which subsists between all the parts of a society, united under the same government, the infinite variety of channels will serve to circulate the prosperity of each, to and through the rest—in that proportion will it be little apt to be disturbed by solicitudes and apprehensions, which originate in local discriminations.

It is a truth, as important as it is agreeable, and one to which it is not easy to imagine exceptions, that every thing tending to establish substantial and permanent order in the affairs of a country, to increase the total mass of industry and opulence, is ultimately beneficial to every part of it. On the credit of this great truth, an acquiescence may safely be accorded, from every quarter, to all institutions and arrangements which promise a confirmation of public order and an augmentation of national resource.

But there are more particular considerations which serve to fortify the idea that the encouragement of manufactures is the interest of all parts of the Union. If the Northern and Middle States should be the principal scenes of such establishments, they would immediately benefit the more Southern, by creating a demand for productions, some of which they have in common with the other States, and others, which are either peculiar to them, or more abundant, or of better quality, than elsewhere. These productions, principally, are timber, flax, hemp, cotton, wool, raw silk, indigo, iron, lead, furs, hides, skins, and coals; of these articles, cotton and indigo are peculiar to the Southern States, as are, hitherto, lead and coal; flax and hemp are, or may be, raised in greater abundance there, than in the more Northern States; and the wool of Virginia is said to be of better quality than that of any other State—a circumstance rendered the more probable, by the reflection, that Virginia embraces the

same latitudes with the finest wool countries of Europe. The climate of the South is also better adapted to the production of silk.

The extensive cultivation of cotton, can, perhaps, hardly be expected but from the previous establishment of domestic manufactories of the article; and the surest encouragement and vent for the others, would result from similar establishments in respect to them.

If, then, it satisfactorily appears, that it is the interest of the United States, generally, to encourage manufactures, it merits particular attention, that there are circumstances which render the present a critical moment for entering, with zeal, upon the important business. The effort cannot fail to be materially seconded by a considerable and increasing influx of money, in consequence of foreign speculations in the funds, and by the disorders which exist in different parts of Europe.

The first circumstance not only facilitates the execution of manufacturing enterprises, but it indicates them as a necessary mean to turn the thing itself to advantage, and to prevent its being eventually an evil. If useful employment be not found for the money of foreigners, brought to the country to be invested in purchases of the public debt, it will quickly be re-exported, to defray the expense of an extraordinary consumption of foreign luxuries; and distressing drains of our specie may, hereafter, be experienced, to pay the interest and redeem the principal of the purchased debt.

This useful employment, too, ought to be of a nature to produce solid and permanent improvements. If the money merely serves to give a temporary spring to foreign commerce; as it cannot procure new and lasting outlets for the products of the country, there will be no real or durable advantage gained. As far as it shall find its way in agricultural meliorations, in opening canals, and in similar improvements, it will be productive of substantial utility. But there is reason to doubt, whether, in such channels, it is likely to find sufficient employment; and still more, whether many of those who possess it would be as readily attracted to objects of this nature, as to manufacturing pursuits,

which bear greater analogy to those to which they are accustomed, and to the spirit generated by them.

To open the one field, as well as the other, will at least secure a better prospect of useful employment for whatever accession of money there has been or may be.

There is, at the present juncture, a certain fermentation of mind, a certain activity of speculation and enterprise, which, if properly directed, may be made subservient to useful purposes; but which, if left entirely to itself, may be attended with pernicious effects.

The disturbed state of Europe inclining its citizens to emigration, the requisite workmen will be more easily acquired than at another time; and the effect of multiplying the opportunities of employment to those who emigrate, may be an increase of the number and extent of valuable acquisitions to the population, arts, and industry, of the country.

To find pleasure in the calamities of other nations would be criminal; but to benefit ourselves, by opening an asylum to those who suffer in consequence of them, is as justifiable as it is politic.

A full view having now been taken of the inducements to the promotion of manufactures in the United States, accompanied with an examinatiou of the principal objections which are commonly urged in opposition, it is proper, in the next place, to consider the means by which it may be effected, as introductory to a specification of the objects, which, in the present state of things, appear the most fit to be encouraged, and of the particular measures which it may be advisable to adopt, in respect to each.

In order to a better judgment of the means proper to be resorted to by the United States, it will be of use to advert to those which have been employed with success in other countries. The principal of these are:

1. *Protecting duties—or duties on those foreign articles which are the rivals of the domestic ones intended to be encouraged.*

Duties of this nature evidently amount to a virtual bounty

on the domestic fabrics; since, by enhancing the charges on foreign articles, they enable the national manufacturers to undersell all their foreign competitors. The propriety of this species of encouragement need not be dwelt upon, as it is not only a clear result from the numerous topics which have been suggested, but is sanctioned by the laws of the United States, in a variety of instances; it has the additional recommendation of being a resource of revenue. Indeed, all the duties imposed on imported articles, though with an exclusive view to revenue, have the effect, in contemplation, and, except where they fall on raw materials, wear a beneficent aspect towards the manufacturers of the country.

2. *Prohibitions of rival articles, or duties equivalent to prohibitions.*

This is another and an efficacious mean of encouraging national manufactures; but, in general, it is only fit to be employed when a manufacture has made such progress, and is in so many hands, as to insure a due competition, and an adequate supply on reasonable terms. Of duties equivalent to prohibitions, there are examples in the laws of the United States; and there are other cases, to which the principle may be advantageously extended, but they are not numerous.

Considering a monopoly of the domestic market to its own manufacturers as the reigning policy of manufacturing nations, a similar policy, on the part of the United States, in every proper instance, is dictated, it might almost be said, by the principles of distributive justice; certainly, by the duty of endeavoring to secure to their own citizens a reciprocity of advantages.

3. *Prohibitions of the exportation of the materials of manufactures.*

The desire of securing a cheap and plentiful supply for the national workmen, and where the article is either peculiar to the country, or of peculiar quality there, the jealousy of enabling foreign workmen to rival those of the nation with its own materials, are the leading motives to this species of regulation. It

ought not to be affirmed, that it is in no instance proper; but is, certainly, one which ought to be adopted with great circumspection, and only in very plain cases. It is seen at once, that its immediate operation is to abridge the demand, and keep down the price of the produce of some other branch of industry —generally speaking, of agriculture—to the prejudice of those who carry it on; and though, if it be really essential to the prosperity of any very important national manufacture, it may happen that those who are injured, in the first instance, may be, eventually, indemnified by the superior steadiness of an extensive domestic market, depending on that prosperity; yet, in a matter in which there is so much room for nice and difficult combinations, in which such opposite considerations combat each other, prudence seems to dictate that the expedient in question ought to be indulged with a sparing hand.

4. *Pecuniary bounties.*

This has been found one of the most efficacious means of encouraging manufactures, and is, in some views, the best. Though it has not yet been practised upon by the Government of the United States (unless the allowance on the expiration of dried and pickled fish and salted meat could be considered as a bounty), and though it is less favored by public opinion than some other modes, its advantages are these:

1. It is a species of encouragement more positive and direct than any other, and, for that very reason, has a more immediate tendency to stimulate and uphold new enterprises, increasing the chances of profit, and diminishing the risks of loss, in the first attempts.

2. It avoids the inconvenience of a temporary augmentation of price, which is incident to some other modes; or it produces it to a less degree, either by making no addition to the charges on the rival foreign article, as in the case of protecting duties, or by making a smaller addition. The first happens when the fund for the bounty is derived from a different object (which may or may not increase the price of some other article, accord-

ing to the nature of that object), the second, when the fund is derived from the same, or a similar object, of foreign manufacture. One per cent. duty on the foreign article, converted into a bounty on the domestic, will have an equal effect with a duty of two per cent., exclusive of such bounty; and the price of the foreign commodity is liable to be raised, in the one case, in the proportion of one per cent.; in the other in that of two per cent. Indeed the bounty, when drawn from another source, is calculated to promote a reduction of price; because, without laying any new charge on the foreign article, it serves to introduce a competition with it, and to increase the total quantity of the article in the market.

3. Bounties have not, like high protecting duties, a tendency to produce scarcity. An increase of price is not always the immediate, though, where the progress of a domestic manufacture does not counteract a rise, it is, commonly, the ultimate effect of an additional duty. In the interval between the laying of the duty and the proportional increase of price, it may discourage importation, by interfering with the profits to be expected from the sale of the article.

4. Bounties are, sometimes, not only the best, but the only proper expedient for uniting the encouragement of a new object of agriculture with that of a new object of manufacture. It is the interest of the farmer to have the production of the raw material promoted by counteracting the interference of the foreign material of the same kind. It is the interest of the manufacturer to have the material abundant and cheap. If, prior to the domestic production of the material, in sufficient quantity to supply the manufacturer on good terms, a duty be laid upon the importation of it from abroad, with a view to promote the raising of it at home, the interest both of the farmer and manufacturer will be disserved. By either destroying the requisite supply, or raising the price of the article beyond what can be afforded to be given for it by the conductor of an infant manufacture, it is abandoned or fails, and there being no domestic manufactories to create a demand for the raw material, which is raised by the farmer, it is in vain that the competition of the like foreign article may have been destroyed.

It cannot escape notice, that a duty upon the importation of an article can no otherwise aid the domestic production of it, than by giving the latter greater advantages in the home market. It can have no influence upon the advantageous sale of the article produced in foreign markets—no tendency, therefore, to promote its exportation.

The true way to conciliate these two interests is to lay a duty on foreign manufactures of the material, the growth of which is desired to be encouraged, and to apply the produce of that duty, by way of bounty, either upon the production of the material itself, or upon its manufacture at home, or upon both. In this disposition of the thing, the manufacturer commences his enterprise under every advantage which is attainable, as to quantity or price of the raw material; and the farmer, if the bounty be immediately to him, is enabled by it to enter into a successful competition with the foreign material. If the bounty be to the manufacturer, on so much of the domestic material as he consumes, the operation is nearly the same; he has a motive of interest to prefer the domestic commodity, if of equal quality, even at a higher price than the foreign, so long as the difference of price is any thing short of the bounty which is allowed upon the article.

Except the simple and ordinary kinds of household manufacture, or those for which there are very commanding local advantages, pecuniary bounties are, in most cases, indispensable to the introduction of a new branch. A stimulus and a support, not less powerful and direct, is, generally speaking, essential to the overcoming of the obstacles which arise from the competitions of superior skill and maturity elsewhere. Bounties are especially essential in regard to articles upon which those foreigners, who have been accustomed to supply a country, are in the practice of granting them.

The continuance of bounties on manufactures long established, must almost always be of questionable policy: because a presumption would arise, in every such case, that there were natural and inherent impediments to success. But, in new undertakings, they are as justifiable as they are oftentimes necessary.

There is a degree of prejudice against bounties, from an appearance of giving away the public money without an immediate consideration, and from a supposition that they serve to enrich particular classes, at the expense of the community.

But neither of these sources of dislike will bear a serious examination. There is no purpose to which public money can be more beneficially applied, than to the acquisition of a new and useful branch of industry; no consideration more valuable, than a permanent addition to the general stock of productive labor.

As to the second source of objection, it equally lies against other modes of encouragement, which are admitted to be eligible. As often as a duty upon a foreign article makes an addition to its price, it causes an extra expense to the community, for the benefit of the domestic manufacturer. A bounty does no more. But it is the interest of the society, in each case, to submit to the temporary expense—which is more than compensated by an increase of industry and wealth; by an augmentation of resources and independence; and by the circumstance of eventual cheapness, which has been noticed in another place.

It would deserve attention, however, in the employment of this species of encouragement in the United States, as a reason for moderating the degree of it in the instances in which it might be deemed eligible, that the great distance of this country from Europe imposes very heavy charges on all the fabrics which are brought from thence, amounting to from fifteen to thirty per cent. on their value, according to their bulk.

A question has been made concerning the constitutional right of the Government of the United States to apply this species of encouragement; but there is certainly no good foundation for such a question. The National Legislature has express authority "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defence and general welfare," with no other qualifications than that "all duties, imposts and excises, shall be uniform throughout the United States; and that no capitation or other direct tax shall be laid, unless in proportion to numbers, ascertained by a census or enu-

meration, taken on the principles prescribed in the constitution," and that "no tax or duty shall be laid on articles exported from any State."

These three qualifications excepted, the power to raise money is plenary and indefinite, and the objects to which it may be appropriated, are no less comprehensive than the payment of the public debts, and the providing for the common defence and general welfare. The terms "general welfare" were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise, numerous exigencies incident to the affairs of a nation would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union to appropriate its revenues should have been restricted within narrower limits than the "general welfare;" and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition.

It is, therefore, of necessity, left to the discretion of the National Legislature to pronounce upon the objects which concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt, that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce, are within the sphere of the national councils, as far as regards an application of money.

The only qualification of the generality of the phrase in question, which seems to be admissible, is this: That the object, to which an appropriation of money is to be made, be general, and not local; its operation extending, in fact, or by possibility, throughout the Union, and not being confined to a particular spot.

No objection ought to arise to this construction, from a supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted, too, in express terms, would not carry a power to do any other thing

not authorized in the constitution, either expressly or by fair implication.

5. *Premiums.*

These are of a nature allied to bounties, though distinguishable from them in some important features.

Bounties are applicable to the whole quantity of an article produced, or manufactured, or exported, and involve a correspondent expense. Premiums serve to reward some particular excellence or superiority, some extraordinary exertion or skill, and are dispensed only in a small number of cases. But their effect is to stimulate general effort; contrived so as to be both honorary and lucrative, they address themselves to different passions—touching the chords, as well of emulation as of interest. They are, accordingly, a very economical mean of exciting the enterprise of a whole community.

There are various societies, in different countries, whose object is the dispensation of premiums for the encouragement of agriculture, arts, manufactures, and commerce; and though they are, for the most part, voluntary associations, with comparatively slender funds, their utility has been immense. Much has been done, by this mean, in Great Britain. Scotland, in particular, owes, materially to it, a prodigious amelioration of condition. From a similar establishment in the United States, supplied and supported by the Government of the Union, vast benefits might, reasonably, be expected. Some further ideas, on this head, shall, accordingly, be submitted, in the conclusion of this report.

6. *The exemption of the materials of manufactures from duty.*

The policy of that exemption, as a general rule, particularly in reference to new establishments, is obvious. It can hardly ever be advisable to add the obstructions of fiscal burthens to the difficulties which naturally embarrass a new manufacture; and where it is matured, and in condition to become an object of revenue, it is, generally speaking, better that the fabric, than the material, should be the subject of taxation. Ideas of proportion

between the quantum of the tax and the value of the article, can be more easily adjusted in the former than in the latter case. An argument for exemptions of this kind, in the United States, is to be derived from the practice, as far as their necessities have permitted, of those nations whom we are to meet as competitors in our own and in foreign markets.

There are, however, exceptions to it, of which some examples will be given under the next head.

The laws of the Union afford instances of the observance of the policy here recommended, but it will probably be found advisable to extend it to some other cases. Of a nature, bearing some affinity to that policy, is the regulation which exempts from duty the tools and implements, as well as the books, clothes, and household furniture, of foreign artists, who come to reside in the United States—an advantage already secured to them by the laws of the Union, and which it is, in every view, proper to continue.

7. *Drawbacks of the duties which are imposed on the materials of manufactures.*

It has already been observed, as a general rule, that duties on those materials ought, with certain exceptions, to be forborne. Of these exceptions, three cases occur, which may serve as examples. One, where the material is itself an object of general or extensive consumption, and a fit and productive source of revenue. Another, where a manufacture of a simpler kind, the competition of which, with a like domestic article, is desired to be restrained, partakes of the nature of a raw material, from being capable, by a farther process, to be converted into a manufacture of a different kind, the introduction or growth of which is desired to be encouraged. A third, where the material itself is a production of the country, and in sufficient abundance to furnish a cheap and plentiful supply to the national manufacturers.

Under the first description comes the article of molasses. It is not only a fair object of revenue, but, being a sweet, it is just

that the consumers of it should pay a duty as well as the consumers of sugar.

Cottons and linens, in their white state, fall under the second description. A duty upon such as are imported is proper, to promote the domestic manufacture of similar articles, in the same state. A drawback of that duty is proper, to encourage the printing and staining, at home, of those which are brought from abroad. When the first of these manufactures has attained sufficient maturity in a country to furnish a full supply for the second, the utility of the drawback ceases.

The article of hemp either now does, or may be expected soon to, exemplify the third case in the United States.

Where duties on the materials of manufactures are not laid for the purpose of preventing a competition with some domestic production, the same reasons which recommend, as a general rule, the exemption of those materials from duties, would recommend, as a like general rule, the allowance of drawbacks in favor of the manufacturer. Accordingly, such drawbacks are familiar in countries which systematically pursue the business of manufactures; which furnishes an argument for the observance of a similar policy in the United States; and the idea has been adopted by the laws of the Union, in the instances of salt and molasses. It is believed that it will be found advantageous to extend it to some other articles.

8. *The encouragement of new inventions and discoveries at home, and of the introduction into the United States of such as may have been made in other countries; particularly, those which relate to machinery.*

This is among the most useful and unexceptionable of the aids which can be given to manufactures. The usual means of that encouragement are pecuniary rewards, and, for a time, exclusive privileges. The first must be employed, according to the occasion, and the utility of the invention or discovery. For the last, so far as respects "authors and inventors," provision has been made by law. But it is desirable, in regard to improve-

ments, and secrets of extraordinary value, to be able to extend the same benefit to introducers, as well as authors and inventors; a policy which has been practised with advantage in other countries. Here, however, as in some other cases, there is cause to regret, that the competency of the authority of the National Government to the good which might be done, is not without a question. Many aids might be given to industry, many internal improvements of primary magnitude might be promoted, by an authority operating throughout the Union, which cannot be effected as well, if at all, by an authority confirmed within the limits of a single State.

But, if the Legislature of the Union cannot do all the good that might be wished, it is, at least, desirable that all may be done which is practicable. Means for promoting the introduction of foreign improvements, though less efficaciously than might be accomplished with more adequate authority, will form a part of the plan intended to be submitted in the close of this report.

It is customary with manufacturing nations to prohibit, under severe penalties, the exportation of implements and machines, which they have either invented or improved. There are already objects for a similar regulation in the United States; and others may be expected to occur, from time to time. The adoption of it seems to be dictated by the principle of reciprocity. Greater liberality, in such respects, might better comport with the general spirit of the country; but a selfish and exclusive policy, in other quarters, will not always permit the free indulgence of a spirit which would place us upon an unequal footing. As far as prohibitions tend to prevent foreign competitors from deriving the benefit of the improvements made at home, they tend to increase the advantages of those by whom they may have been introduced, and operate as an encouragement to exertion.

9. *Judicious regul* *e inspection of manufactured com-*
dities.

This is not s important of t
the prosperity of may be pr

in many cases, one of the most essential. Contributing to prevent frauds upon consumers at home, and exporters to foreign countries; to improve the quality, and preserve the character of the national manufactures; it cannot fail to aid the expeditious and advantageous sale of them, and to serve as a guard against successful competition from other quarters. The reputation of the flour and lumber of some States, and of the potash of others, has been established by an attention to this point. And the like good name might be procured for those articles, wheresoever produced, by a judicious and uniform system of inspection, throughout the ports of the United States. A like system might also be extended with advantage to other commodities.

10. *The facilitating of pecuniary remittances from place to place—*

Is a point of considerable moment to trade in general, and to manufactures in particular, by rendering more easy the purchase of raw materials and provisions, and the payment for manufactured supplies. A general circulation of bank paper, which is to be expected from the institution lately established, will be a most valuable mean to this end. But much good would also accrue from some additional provisions respecting inland bills of exchange. If those drawn in one State, payable in another, were made negotiable every where, and interest and damages allowed in case of protest, it would greatly promote negotiations between the citizens of different States, by rendering them more secure, and with it the convenience and advantage of the merchants and manufacturers of each.

11. *The facilitating of the transportation of commodities.*

Improvements favoring this object intimately concern all the domestic interests of a community; but they may, without impropriety, be mentioned as having an important relation to manufactures. There is, perhaps, scarcely any thing, which has been better calculated to assist the manufacturers of Great Britain, than the melioration of the public roads of that king-

dom, and the great progress which has been of late made in opening canals. Of the former, the United States stand much in need; for the latter, they present uncommon facilities.

The symptoms of attention to the improvement of inland navigation which have lately appeared in some quarters, must fill with pleasure every breast, warmed with a true zeal for the prosperity of the country. These examples, it is to be hoped, will stimulate the exertions of the Government and citizens of every State. There can certainly be no object more worthy of the cares of the local administrations; and it were to be wished that there was no doubt of the power of the National Government to lend its direct aid on a comprehensive plan. This is one of those improvements which could be prosecuted with more efficacy by the whole, than by any part or parts of the Union. There are cases in which the general interest will be in danger to be sacrificed to the collision of some supposed local interests. Jealousies, in matters of this kind, are as apt to exist, as they are apt to be erroneous.

The following remarks are sufficiently judicious and pertinent to deserve a literal quotation:

"Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of a country more nearly upon a level with those in the neighborhood of the town. They are, upon that account, the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighborhood. They are advantageous, even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established, but in consequence of that free and universal competition, which forces every body to have recourse to it for the sake of self-defence. It is not more than fifty years ago that some of the counties in the neighborhood of London petitioned the parliament against the extension of the turnpike roads into the remoter counties. Those

remotar counties, they pretended, from the cheapness of labor, would be able to sell their grass and corn cheaper in the London market than themselves, and they would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time."

Specimens of a spirit similar to that which governed the counties here spoken of, present themselves too frequently to the eye of an impartial observer, and render it a wish of patriotism, that the body in this country, in whose councils a local or partial spirit is at least likely to predominate, were at liberty to pursue and promote the general interest, in those instances in which there might be danger of the interference of such a spirit.

The foregoing are the principal of the means by which the growth of manufactures is ordinarily promoted. It is, however, not merely necessary that the measures of government, which have a direct view to manufactures, should be calculated to assist and protect them, but that those which only collaterally affect them in the general course of the administration, should be guarded from any peculiar tendency to injure them.

There are certain species of taxes, which are apt to be oppressive to different parts of the community, and, among other ill effects, have a very unfriendly aspect towards manufactures. All poll or capitation taxes are of this nature. They either proceed according to a fixed rate, which operates unequally and injuriously to the industrious poor, or they vest a discretion, in certain officers, to make estimates and assessments, which are necessarily vague, conjectural, and liable to abuse. They ought, therefore, to be abstained from in all but cases of distressing emergency.

All such taxes (including all taxes on occupations) which proceed according to the amount of capital supposed to be employed in a business, or of profits supposed to be made in it, are unavoidably hurtful to industry. It is in vain that the evil may be endeavored to be mitigated, by leaving it, in the first instance, in the option of the party to be taxed, to declare the amount of his capital or profits.

Men engaged in any trade or business, have commonly

weighty reasons to avoid disclosures, which would expose, with any thing like accuracy, the real state of their affairs. They most frequently find it better to risk oppression, than to avail themselves of so inconvenient a refuge, and the consequence is, that they often suffer oppression.

When the disclosure, too, if made, is not definitive, but controllable by the discretion, or, in other words, by the passions and prejudices of the revenue officers, it is not only an ineffectual protection, but the possibility of its being so, is an additional reason for not resorting to it.

Allowing to the public officers the most equitable dispositions, yet, where they are to exercise a discretion without certain data, they cannot fail to be often misled by appearances. The quantity of business which seems to be going on, is, in a vast number of cases, a very deceitful criterion of the profits which are made; yet it is, perhaps, the best they can have, and it is the one on which they will most naturally rely. A business, therefore, which may rather require aid from the Government, than be in a capacity to be contributory to it, may find itself crushed by the mistaken conjectures of the assessors of taxes.

Arbitrary taxes, under which denomination are comprised all those that leave the quantum of the tax to be raised on each person to the discretion of certain officers, are as contrary to the genius of liberty as to the maxims of industry. In this light they have been viewed by the most judicious observers on Government, who have bestowed upon them the severest epithets of reprobation, as constituting one of the worst features usually to be met with in the practice of despotic governments.

It is certain, at least, that such taxes are particularly inimical to the success of manufacturing industry, and ought carefully to be avoided by a government which desires to promote it.

The great copiousness of the subject of this report has insensibly led to a more lengthy preliminary discussion than was originally contemplated or intended. It appeared proper to investigate principles, to consider objections, and to endeavor to establish the utility of the thing proposed to be encouraged, previous to a specification of the objects which might occur, as

meriting or requiring encouragement, and of the measures which might be proper in respect to each. The first purpose having been fulfilled, it remains to pursue the second.

In the selection of objects, five circumstances seem entitled to particular attention. The capacity of the country to furnish the raw material; the degree in which the nature of the manufacture admits of a substitute for manual labor in machinery; the facility of execution; the extensiveness of the uses to which the article can be applied; its subserviency to other interests, particularly the great one of national defence. There are, however, objects to which these circumstances are little applicable, which, for some special reasons, may have a claim to encouragement.

A designation of the principal raw material of which each manufacture is composed, will serve to introduce the remarks upon it; as, in the first place,

IRON.

The manufactures of this article are entitled to pre-eminent rank. None are more essential in their kinds, nor so extensive in their uses. They constitute, in whole, or in part, the implements or the materials, or both, of almost every useful occupation. Their instrumentality is every where conspicuous.

It is fortunate for the United States that they have peculiar advantages for deriving the full benefit of this most valuable material, and they have every motive to improve it with systematic care. It is to be found in various parts of the United States, in great abundance, and of almost every quality; and fuel, the chief instrument in manufacturing it, is both cheap and plenty. This particularly applies to charcoal; but there are productive coal mines already in operation, and strong indications that the material is to be found in abundance, in a variety of other places.

The inquiries to which the subject of this report has led, have been answered with proofs that manufactories of iron, though generally understood to be extensive, are far more so than is commonly supposed. The kinds in which the greatest

progress has been made, have been mentioned in another place, and need not be repeated; but there is little doubt that every other kind, with due cultivation, will rapidly succeed. It is worthy of remark, that several of the particular trades of which it is the basis, are capable of being carried on without the aid of large capitals.

Iron-works have greatly increased in the United States, and are prosecuted with much more advantage than formerly. The average price, before the Revolution, was about sixty-four dollars per ton; at present, it is about eighty—a rise which is chiefly to be attributed to the increase of manufactures of the material.

The still further extension and multiplication of such manufactures will have the double effect of promoting the extraction of the metal itself, and of converting it to a greater number of profitable purposes.

Those manufactures, too, unite, in a greater degree than almost any others, the several requisites which have been mentioned as proper to be consulted in the selection of objects.

The only further encouragement of manufactories of this article, the propriety of which may be considered as unquestionable, seems to be an increase of the duties on foreign rival commodities.

Steel is a branch which has already made a considerable progress, and it is ascertained that some new enterprises, on a more extensive scale, have been lately set on foot. The facility of carrying it to an extent which will supply all internal demands, and furnish a considerable surplus for exportation, cannot be doubted. The duty upon the importation of this article, which is, at present, seventy-five cents per cwt. may, it is conceived, be safely and advantageously extended to one hundred cents. It is desirable, by decisive arrangements, to second the efforts which are making in so very valuable a branch.

The United States already, in a great measure, supply themselves with nails and spikes. They are able, and ought certainly to do it, entirely. The first and most laborious operation, in this manufacture, is performed by water-mills; and of the persons afterwards employed, a great proportion are boys, whose early

habits of industry are of importance to the community, to the present support of their families, and to their own future comfort. It is not less curious than true, that, in certain parts of the country, the making of nails is an occasional family manufacture.

The expediency of an additional duty on these articles is indicated by an important fact. About 1,800,000 pounds of them were imported into the United States, in the course of a year, ending the 30th of September, 1790. A duty of two cents per pound would, it is presumable, speedily put an end to so considerable an importation. And it is, in every view, proper that an end should be put to it.

The manufacture of these articles, like that of some others, suffers from the carelessness and dishonesty of a part of those who carry it on. An inspection in certain cases might tend to correct the evil. It will deserve consideration whether a regulation of this sort cannot be applied, without inconvenience, to the exportation of the articles, either to foreign countries, or from one State to another.

The implements of husbandry are made in several States in great abundance. In many places, it is done by the common blacksmiths. And there is no doubt that an ample supply for the whole country can, with great ease, be procured among ourselves.

Various kinds of edged tools for the use of mechanics are also made; and a considerable quantity of hollow wares, though the business of castings has not yet attained the perfection which might be wished. It is, however, improving, and as there are respectable capitals, in good hands, embarked in the prosecution of those branches of iron manufactories, which are yet in their infancy, they may all be contemplated as objects not difficult to be acquired.

To insure the end, it seems equally safe and prudent to extend the duty, ad valorem, upon all manufactures of iron, or of which iron is the article of chief value, to ten per cent.

Fire-arms and other military weapons may, it is conceived, be placed, without inconvenience, in the class of articles rated at

fifteen per cent. There are, already, manufactories of these articles, which only require the stimulus of a certain demand to render them adequate to the supply of the United States.

It would, also, be a material aid to manufactures of this nature, as well as a mean of public security, if provision should be made for an annual purchase of military weapons, of home manufacture, to a certain determinate extent, in order to the formation of arsenals; and to replace, from time to time, such as should be drawn for use, so as always to have in store the quantity of each kind which should be deemed a competent supply.

But it may, hereafter, deserve legislative consideration, whether manufactories of all the necessary weapons of war ought not to be established, on account of the government itself. Such establishments are agreeable to the usual practice of nations, and that practice seems founded on sufficient reason.

There appears to be an improvidence in leaving these essential instruments of national defence to the casual speculations of individual adventure—a resource which can less be relied upon, in this case, than in most others; the articles in question not being objects of ordinary and indispensable private consumption or use. As a general rule, manufactories on the immediate account of government are to be avoided; but this seems to be one of the few exceptions which that rule admits, depending on very special reasons.

Manufactures of steel, generally, or of which steel is the article of chief value, may, with advantage, be placed in the class of goods rated at seven and a half per cent. As manufactures of this kind have not yet made any considerable progress, it is a reason for not rating them as high as those of iron: but, as this material is the basis of them, and as their extension is not less practicable than important, it is desirable to promote it by a somewhat higher duty than the present.

A question arises, how far it might be expedient to permit the importation of iron, in pigs and bars, free from duty. It would certainly be favorable to manufactures of the article; but the doubt is, whether it might not interfere with its production.

Two circumstances, however, abate, if they do not remove

apprehension, on this score; one is, the considerable increase of price which has been already remarked, and which renders it probable that the free admission of foreign iron would not be inconsistent with an adequate profit to the proprietors of iron-works; the other is the augmentation of demand which would be likely to attend the increase of manufactures of the article, in consequence of the additional encouragements proposed to be given. But caution, nevertheless, in a matter of this kind, is most advisable. The measure suggested ought, perhaps, rather to be contemplated subject to the lights of further experience, than immediately adopted.

COPPER.

The manufactures of which this article is susceptible, are, also, of great extent and utility. Under this description, those of brass, of which it is the principal ingredient, are intended to be included.

The material is a natural production of the country. Mines of copper have actually been wrought, and with profit to the undertakers, though it is not known that any are now in this condition. And nothing is easier than the introduction of it from other countries, on moderate terms and in great plenty.

Coppersmiths and brass founders, particularly the former, are numerous in the United States; some of whom carry on business to a respectable extent.

To multiply and extend manufactories of the materials in question, is worthy of attention and effort. In order to this, it is desirable to facilitate a plentiful supply of the materials; and a proper mean to this end is, to place them in the class of free articles. Copper, in plates, and brass, are already in this predicament; but copper, in pigs and bars, is not; neither is lapis calaminaris, which, together with copper and charcoal, constitute the component ingredients of brass. The exemption from duty, by parity of reason, ought to embrace all such of these articles as are objects of importation.

An additional duty on brass wares will tend to the general

end in view. These now stand at five per cent., while those of tin, pewter, and copper, are rated at seven and a half. There appears to be a propriety, in every view, in placing brass wares upon the same level with them; and it merits consideration, whether the duty upon all of them ought not to be raised to ten per cent.

LEAD.

There are numerous proofs that this material abounds in the United States, and requires little to unfold it to an extent more than equal to every domestic occasion. A prolific mine of it has long been open in the south-western parts of Virginia, and under a public administration, during the late war, yielded a considerable supply for military use. This is now in the hands of individuals, who not only carry it on with spirit, but have established manufactories of it at Richmond, in the same State.

The duties already laid upon the importation of this article, either in its unmanufactured or manufactured state, insure it a decisive advantage in the home market, which amounts to considerable encouragement. If the duty on pewter wares should be raised, it would afford a further encouragement. Nothing else occurs as proper to be added.

FOSSIL COAL.

This, as an important instrument of manufactures, may, without impropriety, be mentioned among the subjects of this report.

A copious supply of it would be of great consequence to the iron branch. As an article of household fuel, also, it is an interesting production, the utility of which must increase in proportion to the decrease of wood, by the progress of settlement and cultivation. And its importance to navigation, as an immense article of transportation coastwise, is signally exemplified in Great Britain.

It is known that there are several coal mines in Virginia, now worked; and appearances of their existence are familiar in a number of places.

The expediency of a bounty on all this species of coal, of home production, and of premiums on the opening of new mines, under certain qualifications, appears to be worthy of particular examination. The great importance of the article will amply justify a reasonable expense in this way, if it shall appear to be necessary to, and shall be thought likely to answer, the end.

WOOD.

Several manufactures of this article flourish in the United States. Ships are nowhere built in greater perfection, and cabinet wares generally, are made little, if at all, inferior to those of Europe. Their extent is such as to have admitted of considerable exportation.

An exemption from duty, of the several kinds of wood ordinarily used in these manufactures, seems to be all that is requisite, by way of encouragement. It is recommended by the consideration of a similar policy being pursued in other countries, and by the expediency of giving equal advantages to our own workmen in wood. The abundance of timber, proper for ship building in the United States, does not appear to be any objection to it. The increasing scarcity, and growing importance of that article, in the European countries, admonish the United States to commence, and systematically to pursue, measures for the preservation of their stock. Whatever may promote the regular establishment of magazines of ship timber, is in various views desirable.

SKINS.

There are scarcely any manufactories of greater importance than of this article. Their direct and very happy influence upon agriculture, by promoting the raising of cattle of different kinds, is a very material recommendation.

It is pleasing, too, to observe the extensive progress they have made in their principal branches, which are so far matured as almost to defy foreign competition. Tanneries, in particular, are not only carried on as a regular business, in numerous in-

stances, and in various parts of the country, but they constitute, in some places, a valuable item of incidental family manufactures.

Representations, however, have been made, importing the expediency of further encouragement to the leather branch, in two ways: one by increasing the duty on the manufactures of it, which are imported; the other, by prohibiting the exportation of bark. In support of the latter, it is alleged, that the price of bark, chiefly in consequence of large exportations, has risen, within a few years, from about three dollars to four and a half per cord.

These suggestions are submitted, rather as intimations which merit consideration, than as matters the propriety of which is manifest. It is not clear that an increase of duty is necessary; and in regard to the prohibitions desired, there is no evidence of any considerable exportation, hitherto; and it is most probable that, whatever augmentation of price may have taken place, is to be attributed to an extension of the home demand, from the increase of manufactures, and to a decrease of the supply, in consequence of the progress of settlement, rather than to the quantities which have been exported.

It is mentioned, however, as an additional reason for the prohibition, that one species of the bark usually exported, is in some sort peculiar to the country, and the material of a very valuable dye, of great use in some other manufactures, in which the United States have begun a competition.

There may also be this argument in favor of an increase of duty. The object is of importance enough to claim decisive encouragement, and the progress which has been made, leaves no room to apprehend any inconvenience on the score of supply, from such an increase.

It would be of benefit to this branch, if glue, which is now rated at five per cent., were made the object of an excluding duty. It is already made, in large quantities, at various tanneries, and, like paper, is an entire economy of materials, which, if not manufactured, would be left to perish. It may be placed, with advantage, in the class of articles paying fifteen per cent.

GRAIN.

Manufactures of the several species of this article have a title to peculiar favor; not only because they are, most of them, immediately connected with the subsistence of the citizens, but because they enlarge the demand for the most precious products of the soil.

Though flour may, with propriety, be noticed as a manufacture of grain, it were useless to do it, but for the purpose of submitting the expediency of a general system of inspection, throughout the ports of the United States; which, if established upon proper principles, would be likely to improve the quality of our flour every where, and to raise its reputation in foreign markets. There are, however, considerations which stand in the way of such an arrangement.

Ardent spirits and malt liquors are, next to flour, the two principal manufactures of grain. The first has made a very extensive, the last a considerable progress in the United States. In respect to both, an exclusive possession of the home market ought to be secured to the domestic manufacturers, as fast as circumstances will admit. Nothing is more practicable, and nothing more desirable.

The existing laws of the United States have done much towards attaining this valuable object; but some additions to the present duties on foreign distilled spirits and foreign malt liquors, and perhaps an abatement of those on home made spirits, would more effectually secure it; and there does not occur any very weighty objection to either.

An augmentation of the duties on imported spirits would favor, as well the distillation of spirits from molasses, as that from grain. And to secure to the nation the benefit of a manufacture, even of foreign materials, is always of great, though perhaps of secondary importance.

A strong impression prevails in the minds of those concerned in distilleries (including, too, the most candid and enlightened), that greater differences in the rates of duty on foreign and domestic spirits are necessary, completely to secure the successful man-

ufacture of the latter, and there are facts which entitle this impression to attention.

It is known that the price of molasses, for some years past, has been successively rising in the West India markets, owing partly to a competition which did not formerly exist, and partly to an extension of demand in this country; and it is evident, that the late disturbances in those islands, from which we draw our principal supply, must so far interfere with the production of the article, as to occasion a material enhancement of price. The destruction and devastation attendant on the insurrection in Hispaniola, in particular, must not only contribute very much to that effect, but may be expected to give it some duration. These circumstances, and the duty of three cents per gallon on molasses, may render it difficult for the distillers of that material to maintain, with adequate profit, a competition with the rum brought from the West Indies, the quality of which is so considerably superior.

The consumption of geneva, or gin, in this country, is extensive. It is not long since distilleries of it have grown up among us to any importance. They are now becoming of consequence, but being still in their infancy, they require protection.

It is represented that the price of some of the materials is greater here, than in Holland, from which place large quantities are brought; the price of labor considerably greater; capitals engaged in the business there, much larger than those which are employed here; the rate of profits at which the undertakers can afford to carry it on, much less; the prejudices in favor of imported gin, strong. These circumstances are alleged to outweigh the charges which attend the bringing of the article from Europe to the United States, and the present difference of duty, so as to obstruct the prosecution of the manufacture with due advantage.

Experiment could, perhaps, alone decide, with certainty, the justness of the suggestions which are made; but, in relation to branches of manufacture so important, it would seem inexpedient to hazard an unfavorable issue, and better to err on the side of too great, than of too small a difference in the particular in question.

It is, therefore, submitted, that an addition of two cents per gallon be made to the duty on imported spirits of the first class of proof, with a proportionable increase on those of higher proof; and that a deduction of one cent per gallon be made from the duty on spirits distilled within the United States, beginning with the first class of proof, and a proportionable deduction from the duty on those of higher proof.

It is ascertained that by far the greatest part of the malt liquors consumed in the United States, are the produce of domestic breweries. It is desirable, and in all likelihood attainable, that the whole consumption should be supplied by ourselves.

The malt liquors at home, though inferior to the best, are equal to a great part of those which have been usually imported. The progress already made is an earnest of what may be accomplished. The growing competition is an assurance of improvement. This will be accelerated by measures tending to invite a greater capital into this channel of employment.

To render the encouragement of domestic breweries decisive, it may be advisable to substitute to the present rates of duty, eight cents per gallon, generally; and it will deserve to be considered as a guard against evasions, whether there ought not to be a prohibition of their importation, except in casks of considerable capacity. It is to be hoped, that such a duty would banish from the market foreign malt liquors of inferior quality, and that the best kind only would continue to be imported, till it should be supplanted by the efforts of equal skill or care at home.

Till that period, the importation, so qualified, would be a useful stimulus to improvement, and, in the mean time, the payment of the increased price for the enjoyment of a luxury, in order to the encouragement of a most useful branch of domestic industry, could not reasonably be deemed a hardship.

As a further aid to manufactures of grain, though upon a smaller scale, the articles of starch, hair-powder, and wafers, may with great propriety be placed among those which are rated at fifteen per cent. No manufactures are more simple, nor more completely within the reach of a full supply from domestic

sources; and it is a policy as common as it is obvious, to make them the objects either of prohibitionary duties or of express prohibition.

FLAX AND HEMP.

Manufactures of these articles have so much affinity to each other, and they are so often blended, that they may, with advantage, be considered in conjunction. The importance of the linen branch to agriculture, its precious effects upon household industry, the ease with which the materials can be produced at home, to any requisite extent, the great advances which have been already made in the coarser fabrics of them, especially in the family way, constitute claims of peculiar force to the patronage of government.

This patronage may be afforded in various ways; by promoting the growth of the materials, by increasing the impediments to an advantageous competition of rival foreign articles, by direct bounties, or premiums upon the home manufactures.

1st. As to promoting the growth of the materials.

In respect to hemp, something has been already done by the high duty upon foreign hemp. If the facilities for domestic production were not unusually great, the policy of the duty on the foreign raw material would be highly questionable, as interfering with the growth or manufactures of it. But making the proper allowances for those facilities, and with an eye to the future and natural progress of the country, the measure does not appear, upon the whole, exceptionable.

A strong wish naturally suggests itself, that some method could be devised, of affording a more direct encouragement to the growth both of flax and hemp; such as would be effectual, and, at the same time, not attended with too great inconveniences. To this end, bounties and premiums offer themselves to consideration, but no modification of them has yet occurred, which would not either hazard too much expense, or operate unequally, in reference to the circumstances of different parts of the Union; and which would not be attended with very great difficulties in the execution.

2d. As to increasing the impediments to an advantageous competition of rival foreign articles.

To this purpose, an augmentation of the duties on importation is the obvious expedient, which, in regard to certain articles, appears to be recommended by sufficient reasons.

The principal of these articles, is sail-cloth—one intimately connected with navigation and defence; and of which, a flourishing manufactory is established at Boston, and very promising ones at several other places.

It is presumed to be both safe and advisable to place this in the class of articles rated at ten per cent. A strong reason for it results from the consideration, that a bounty of two pence sterling, per ell, is allowed in Great Britain, upon the exportation of the sail-cloth manufactured in that kingdom.

It would likewise appear to be good policy to raise the duty to seven and a half per cent., on the following articles: Drillings, osnaburgs, ticklenburgs, dowals, canvass, brown rolls, bagging, and upon all other linens, the first cost of which, at the place of exportation, does dot exceed thirty-five cents per yard. A bounty of twelve and a half per cent. upon an average, on the exportation of such or similar linens from Great Britain, encourages the manufacture of them in that country, and increases the obstacles to a successful competition in the countries to which they are sent.

The quantities of tow and other household linens, manufactured in different parts of the United States, and the expectations which are derived from some late experiments, of being able to extend the use of labor-saving machines, in the coarser fabrics of linen, obviate the danger of inconvenience from an increase of the duty upon such articles, and authorize a hope of speedy and complete success to the endeavors which may be used for procuring an internal supply.

3d. As to direct bounties or premiums upon the manufactured articles.

To afford more effectual encouragement to the manufacture, and at the same time to promote the cheapness of the article, for the benefit of navigation, it will be of great use to allow a bounty

of two cents per yard on all sail-cloth which is made in the United States, from materials of their own growth. This would also assist the culture of those materials. An encouragement of this kind, if adopted, ought to be established for a moderate term of years, to invite to new undertakings, and to an extension of the old. This is an article of importance enough to warrant the employment of extraordinary means in its favor.

COTTON.

There is something in the texture of this material, which adapts it, in a peculiar degree, to the application of machines. The signal utility of the mill for spinning of cotton, not long since invented in England, has been noticed in another place; but there are other machines, scarcely inferior in utility, which, in the different manufactories of this article, are employed, either exclusively, or with more than ordinary effect. This very important circumstance recommends the fabrics of cotton, in a more particular manner, to a country in which a defect of hands constitutes the greatest obstacle to success.

The variety and extent of the uses to which the manufactures of this article are applicable, is another powerful argument in their favor.

And the faculty of the United States to produce the raw material in abundance, and of a quality which, though alleged to be inferior to some that is produced in other quarters, is nevertheless capable of being used with advantage in many fabrics, and is probably susceptible of being carried by a more experienced culture, to much greater perfection, suggests an additional and a very cogent inducement to the vigorous pursuit of the cotton branch, in its several subdivisions.

How much has been already done, has been stated in a preceding part of this report.

In addition to this, it may be announced, that a society is forming, with a capital which is expected to be extended to at least half a million of dollars, on behalf of which, measures are already in train for prosecuting, on a large scale, the making and printing of cotton goods.

These circumstances conspire to indicate the expediency of removing any obstructions which may happen to exist, to the advantageous prosecution of the manufactories in question, and of adding such encouragements as may appear necessary and proper.

The present duty of three cents per pound, on the foreign raw material, is undoubtedly a very serious impediment to the progress of those manufactories.

The injurious tendency of similar duties, either prior to the establishment, or in the infancy of the domestic manufacture of the article, as it regards the manufacture, and their worse than inutility, in relation to the home production of the material itself, have been anticipated, particularly in discussing the subject of pecuniary bounties.

Cotton has not the same pretensions with hemp, to form an exception to the general rule.

Not being, like hemp, an universal production of the country, it affords less assurance of an adequate internal supply; but the chief objection arises from the doubts which are entertained, concerning the quality of the national cotton. It is alleged that the fibre of it is considerably shorter and weaker, than that of some other places; and it has been observed, as a general rule, that the nearer the place of growth to the equator, the better the quality of the cotton. That which comes from Cayenne, Surinam, and Demarara, is said to be preferable, even at a material difference of price, to the cotton of the islands.

While a hope may reasonably be indulged, that, with due care and attention, the national cotton may be made to approach nearer than it now does to that of regions somewhat more favored by climate; and while facts authorize an opinion that very great use may be made of it, and that it is a resource which gives greater security to the cotton fabrics of this country, than can be enjoyed by any which depends wholly on external supply, it will certainly be wise, in every view, to let our infant manufactures have the full benefit of the best materials, on the cheapest terms. It is obvious that the necessity of having such materials is proportioned to the unskilfulness and inexpe-

rience of the workmen employed, who, if inexpert, will not fail to commit great waste, where the materials they are to work with are of an indifferent kind.

To secure to the national manufacturers so essential an advantage, a repeal of the present duty on imported cotton is indispensable.

A substitute for this, far more encouraging to domestic production, will be to grant a bounty on the national cotton, when wrought at a home manufactory; to which a bounty on the exportation of it may be added. Either, or both, would do much more towards promoting the growth of the article, than the merely nominal encouragement, which it is proposed to abolish. The first would also have a direct influence in encouraging the manufacture.

The bounty which has been mentioned, as existing in Great Britain, upon the exportation of coarse linens, not exceeding a certain value, applies also to certain descriptions of cotton goods of similar value.

This furnishes an additional argument for allowing to the national manufactures, the species of encouragement just suggested, and, indeed, for adding some other aid.

One cent per yard, not less than of a given width, on all goods of cotton, or of cotton and linen mixed, which are manufactured in the United States, with the addition of one cent per pound weight of the material, if made of national cotton, would amount to an aid of considerable importance, both to the production and to the manufacture of that valuable article. And it is conceived that the expense would be well justified by the magnitude of the object.

The printing and staining of cotton goods is known to be a distinct business from the fabrication of them. It is one easily accomplished, and which, as it adds materially to the value of the article in its white state, and prepares it for a variety of new uses, is of importance to be promoted.

As imported cottons, equally with those which are made at home, may be the objects of this manufacture, it will merit consideration, whether the whole, or a part of the duty, on

the white goods, ought not to be allowed to be drawn back in favor of those who print or stain them. This measure would certainly operate as a powerful encouragement to the business; and though it may, in a degree, counteract the original fabrication of the articles, it would probably more than compensate for this disadvantage, in the rapid growth of a collateral branch, which is of a nature sooner to attain to maturity. When a sufficient progress shall have been made, the drawback may be abrogated, and by that time the domestic supply of the articles to be printed or stained will have been extended.

If the duty of seven and a half per cent. on certain kinds of cotton goods, were extended to all goods of cotton, or of which it is the principal material, it would probably more than counterbalance the effect of the drawback proposed, in relation to the fabrication of the article. And no material objection occurs to such an extension. The duty, then, considering all the circumstances which attend goods of this description, could not be deemed inconveniently high; and it may be inferred, from various causes, that the prices of them would still continue moderate.

Manufactories of cotton goods, not long since established at Beverly, in Massachusetts, and at Providence, in the State of Rhode Island, and conducted with a perseverance corresponding with the patriotic motives which began them, seem to have overcome the first obstacles to success: producing corduroys, velverets, fustians, jeans, and other similar articles, of a quality which will bear a comparison with the like articles brought from Manchester. The one at Providence has the merit of being the first introducing into the United States the celebrated cotton mill, which not only furnishes materials for that manufactory itself, but for the supply of private families, for household manufacture.

Other manufactories of the same material, as regular businesses, have also been begun at different places in the State of Connecticut, but all upon a smaller scale than those above-mentioned. Some essays are also making in the printing and staining of cotton goods. There are several small establishments of this kind, already on foot.

WOOL.

In a country, the climate of which partakes of so considerable a proportion of winter, as that of a great part of the United States, the woollen branch cannot be regarded as inferior to any, which relates to the clothing of the inhabitants.

Household manufactures of this material are carried on in different parts of the United States, to a very interesting extent; but there is only one branch, which, as a regular business, can be said to have acquired maturity. This is the making of hats.

Hats of wool, and of wool mixed with fur, are made in large quantities, in different States; and nothing seems wanting, but an adequate supply of materials, to render the manufacture commensurate with the demand.

A promising essay, towards the fabrication of cloths, cassimeres, and other woollen goods, is likewise going on, at Hartford, in Connecticut. Specimens of the different kinds which are made, in the possession of the Secretary, evince that these fabrics have attained a very considerable degree of perfection. Their quality certainly surpasses any thing that could have been looked for in so short a time, and under so great disadvantages; and conspires, with the scantiness of the means, which have been at the command of the directors, to form the eulogium of that public spirit, perseverance, and judgment, which have been able to accomplish so much.

To cherish and bring to maturity this precious embryo, must engage the most ardent wishes, and proportionable regret, as far as the means of doing it may appear difficult or uncertain.

Measures which should tend to promote an abundant supply of wool, of good quality, would probably afford the most efficacious aid that present circumstances permit.

To encourage the raising and improving the breed of sheep, at home, would certainly be the most desirable expedient for that purpose; but it may not be alone sufficient, especially as it is, yet, a problem, whether our wool be capable of such a degree of improvement as to render it fit for the finer fabrics.

Premiums would probably be found the best means of pro-

moting the domestic, and bounties the foreign supply. The first may be within the compass of the institution, hereafter to be submitted. The last would require a specific legislative provision. If any bounties are granted, they ought, of course, to be adjusted with an eye to quality as well as quantity.

A fund for the purpose may be derived from the addition of two and a half per cent. to the present rate of duty on carpets and carpeting; an increase to which the nature of the articles suggests no objection, and which may, at the same time, furnish a motive the more to the fabrication of them at home, towards which some beginnings have been made.

SILK.

The production of this article is attended with great facility in most parts of the United States. Some pleasing essays are making in Connecticut, as well towards that, as towards the manufacture of what is produced. Stockings, handkerchiefs, ribbons, and buttons, are made, though as yet but in small quantities.

A manufactory of lace, upon a scale not very extensive, has been long memorable at Ipswich, in the State of Massachusetts.

An exemption of the material from the duty which it now pays on importation, and premiums upon the production to be dispensed under the direction of the institution before alluded to, seem to be the only species of encouragement advisable at so early a stage of the thing.

GLASS.

The materials for making glass are found every where. In the United States there is no deficiency of them. The sands and stones called *tarso,* which include flinty and crystalline substances generally, and the salts of various plants, particularly of the sea-weed kali, or kelp, constitute the essential ingredients. An extraordinary abundance of fuel is a particular advantage enjoyed by this country for such manufactures. They, however, require large capitals, and involve much manual labor.

Different manufactories of glass are now on foot in the United States. The present duty of twelve and a half per cent. on all imported articles of glass, amounts to a considerable encouragement to those manufactories. If any thing in addition is judged eligible, the most proper would appear to be a direct bounty on window-glass and black bottles.

The first recommends itself as an object of general convenience; the last adds to that character the circumstance of being an important item in breweries. A complaint is made of great deficiency in this respect.

GUNPOWDER.

No small progress has been, of late, made in the manufacture of this very important article. It may, indeed, be considered as already established; but its high importance renders its further extension very desirable.

The encouragement which it already enjoys, are a duty of ten per cent. on the foreign rival article, and an exemption of saltpetre, one of the principal ingredients of which it is composed, from duty. A like exemption of sulphur, another chief ingredient, would appear to be equally proper. No quantity of this article has yet been produced from internal sources. The use made of it in finishing the bottoms of ships, is an additional inducement to placing it in the class of free goods. Regulations for the careful inspection of the article, would have a favorable tendency.

PAPER.

Manufactories of paper are among those which are arrived at the greatest maturity in the United States, and are most adequate to national supply. That of paper-hangings, is a branch in which respectable progress has been made.

Nothing material seems wanting to the further success of this valuable branch, which is already protected by a competent duty on similar imported articles.

In the enumeration of the several kinds made subject to that

duty, sheathing and cartridge paper have been omitted. These being the most simple manufactures of the sort, and necessary to military supply, as well as ship-building, recommend themselves equally with those of other descriptions, to encouragement, and appear to be as fully within the compass of domestic exertions.

PRINTED BOOKS.

The great number of presses disseminated throughout the Union, seem to afford an assurance, that there is no need of being indebted to foreign countries for the printing of the books which are used in the United States. A duty of ten per cent. instead of five, which is now charged upon the article, would have a tendency to aid the business internally.

It occurs as an objection to this, that it may have an unfavorable aspect towards literature, by raising the prices of books, in universal use in private families, schools, and other seminaries of learning. But the difference, it is conceived, would be without effect.

As to books which usually fill the libraries of the wealthier classes, and of professional men, such an augmentation of price as might be occasioned by an additional duty of five per cent., would be too little felt to be an impediment to the acquisition.

And with regard to books which may be specially imported for the use of particular seminaries of learning, and of public libraries, a total exemption from duty would be advisable, which would go far towards obviating the objection just mentioned. They are now subject to a duty of five per cent.

As to the books in most general family use, the constancy and universality of the demand, would insure exertions to furnish them at home, and the means are completely adequate. It may also be expected ultimately, in this, as in other cases, that the extension of the domestic manufacture would conduce to the cheapness of the article.

It ought not to pass unremarked, that, to encourage the printing of books, is to encourage the manufacture of paper.

REFINED SUGARS AND CHOCOLATE

Are among the number of extensive and prosperous domestic manufactures.

Drawbacks of the duties upon the materials of which they are respectively made, in cases of exportation, would have a beneficial influence upon the manufacture, and would conform to a precedent which has been already furnished in the instance of molasses, on the exportation of distilled spirits.

Cocoa, the raw material, now pays a duty of one cent per pound, while chocolate, which is a prevailing and very simple manufacture, is comprised in the mass of articles rated at no more than five per cent.

There would appear to be a propriety in encouraging the manufacture by a somewhat higher duty on its foreign rival, than is paid on the raw material. Two cents per pound on imported chocolate, would, it is presumed, be without inconvenience.

The foregoing heads comprise the most important of the several kinds of manufactures which have occurred as requiring, and, at the same time, as most proper for public encouragement; and such measures for affording it as have appeared best calculated to answer the end, have been suggested.

The observations which have accompanied this delineation of objects, supersede the necessity of many supplementary remarks. One or two, however, may not be altogether superfluous.

Bounties are, in various instances, proposed, as one species of encouragement.

It is a familiar objection to them, that they are difficult to be managed, and liable to frauds. But neither that difficulty nor this danger seems sufficiently great to countervail the advantages of which they are productive, when rightly applied. And it is presumed to have been shown, that they are, in some cases, particularly in the infancy of new enterprises, indispensable.

It will, however, be necessary to guard, with extraordinary

circumspection, the manner of dispensing them. The requisite precautions have been thought of, but to enter into the detail, would swell this report, already voluminous, to a size too inconvenient.

If the principle shall not be deemed inadmissible, the means of avoiding an abuse of it will not be likely to present insurmountable obstacles. There are useful guides from practice in other quarters.

It shall, therefore, only be remarked here, in relation to this point, that any bounty which may be applied to the manufacture of an article, cannot, with safety, extend beyond those manufactories at which the making of the article is a regular trade. It would be impossible to annex adequate precautions to a benefit of that nature, if extended to every private family in which the manufacture was incidentally carried on; and its being a merely incidental occupation, which engages a portion of time that would otherwise be lost, it can be advantageously carried on without so special an aid.

The possibility of a diminution of the revenue may also present itself as an objection to the arrangements which have been submitted.

But there is no truth which may be more firmly relied upon, than that the interests of the revenue are promoted by whatever promotes an increase of national industry and wealth.

In proportion to the degree of these, is the capacity of every country to contribute to the public treasury; and where the capacity to pay is increased, or even is not decreased, the only consequence of measures which diminish any particular resource, is a change of the object. If, by encouraging the manufacture of an article at home, the revenue which has been wont to accrue from its importation should be lessened, an indemnification can easily be found, either out of the manufacture itself, or from some other object which may be deemed more convenient.

The measures, however, which have been submitted, taken aggregately, will, for a long time to come, rather augment than decrease the public revenue.

There is little room to hope, that the progress of manufac-

tures will so equally keep pace with the progress of population, as to prevent even a gradual augmentation of the product of the duties on imported articles.

As, nevertheless, an abolition in some instances, and a reduction in others, of duties which have been pledged for the public debt, is proposed, it is essential that it should be accompanied with a competent substitute. In order to this, it is requisite that all the additional duties which shall be laid, be appropriated, in the first instance, to replace all defalcations which may proceed from any such abolition or diminution. It is evident, at first glance, that they will not only be adequate to this, but will yield a considerable surplus. This surplus will serve—

First. To constitute a fund for paying the bounties which shall have been decreed.

Secondly. To constitute a fund for the operations of a board to be established, for promoting arts, agriculture, manufactures, and commerce. Of this institution, different intimations have been given in the course of this report. An outline of a plan for it shall now be submitted.

Let a certain annual sum be set apart, and placed under the management of commissioners, not less than three, to consist of certain officers of the Government and their successors in office.

Let these commissioners be empowered to apply the fund confided to them, to defray the expenses of the emigration of artists, and manufacturers in particular branches of extraordinary importance; to induce the prosecution and introduction of useful discoveries, inventions, and improvements, by proportionate rewards, judiciously held out and applied; to encourage by premiums, both honorable and lucrative, the exertions of individuals and of classes, in relation to the several objects they are charged with promoting; and to afford such other aids to those objects as may be generally designated by law.

The commissioners to render to the Legislature an annual account of their transactions and disbursements; and all such sums as shall not have been applied to the purposes of their trust, at the end of every three years, to revert to the treasury. It may, also, be enjoined upon them not to draw out the money, but for the purpose of some specific disbursement.

It may, moreover, be of use to authorize them to receive voluntary contributions, making it their duty to apply them to the particular objects for which they may have been made, if any shall have been designated by the donors.

There is reason to believe that the progress of particular manufactures has been much retarded by the want of skilful workmen. And it often happens, that the capitals employed are not equal to the purposes of bringing from abroad workmen of a superior kind. Here, in cases worthy of it, the auxiliary agency of Government would, in all probability, be useful. There are also valuable workmen in every branch, who are prevented from emigrating, solely, by the want of means. Occasional aids to such persons, properly administered, might be a source of valuable acquisitions to the country.

The propriety of stimulating by rewards the invention and introduction of useful improvements, is admitted without difficulty. But the success of attempts in this way, must evidently depend much on the manner of conducting them. It is probable that the placing of the dispensation of those rewards under some proper discretionary direction, where they may be accompanied by collateral expedients, will serve to give them the surest efficacy. It seems impracticable to apportion, by general rules, specific compensations for discoveries of unknown and disproportionate utility.

The great use which may be made of a fund of this nature, to procure and import foreign improvements, is particularly obvious. Among these, the article of machines would form a most important item.

The operation and utility of premiums have been adverted to, together with the advantages which have resulted from their dispensation, under the direction of certain public and private societies. Of this, some experience has been had, in the instance of the Pennsylvania Society for the promotion of manufactures and useful arts; but the funds of that association have been too contracted to produce more than a very small portion of the good to which the principles of it would have led. It may confidently be affirmed, that there is scarcely any thing which has

been devised, better calculated to excite a general spirit of improvement, than the institutions of this nature. They are truly invaluable.

In countries where there is great private wealth, much may be effected by the voluntary contributions of patriotic individuals; but in a community situated like that of the United States, the public purse must supply the deficiency of private resource. In what can it be so useful, as in prompting and improving the efforts of industry?

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ESTIMATES OF RECEIPTS AND EXPENDITURES FOR 1791–2.

Communicated to the House of Representatives, January 23, 1792.

TREASURY DEPARTMENT, January 23, 1792.

The Secretary of the Treasury, in obedience to the order of the House of Representatives of the 19th instant, respectfully makes the following report:

At the close of the year 1790, there was a considerable surplus of revenue beyond the objects of expenditure, which had required a provision to that period; which surplus, by an act of the 12th of August in that year, was appropriated to the reduction of the public debt.

The statement A, herewith submitted, will show in one view all the sums, which, according to the establishments heretofore made, and corresponding appropriations, have required, and will require, to be defrayed, from the beginning of the year 1791, to the end of the year 1792, amounting together, to seven millions and eighty-two thousand one hundred and ninety-seven dollars and seventy-four cents.

The statement B will also show, in one view, the net product of all the public revenues, for the same period, according to the best calculation and estimate which can now be formed of it, amounting to seven millions and twenty-nine thousand seven hundred and fifty-five dollars and twenty-six cents.

The statement C exhibits a summary of the total annual expenditure of the United States, in conformity to existing establishments, amounting to three millions six hundred and eighty-eight thousand and forty-three dollars, fifty cents.

The statement B includes a view of the probable product, during the year 1792, of the existing revenues of the United States, amounting to three millions seven hundred thousand dollars.

From these statements will result substantially, the information which is desired by the House of Representatives, as far as it is now in the power of the Secretary to give it.

One or two matters, however, may be proper to be added, with a view to greater accuracy.

There are certain instances, in which the estimates of appropriations have exceeded, and will exceed, the sums actually expended. Hence the apparent excess of the expenditure, as exhibited in the statement A, beyond the product of the revenue, as shown in the statement B, will, probably, not be found real. But the amount of these surplusses or over-estimates cannot be now ascertained, and it is not likely to be very considerable; and because, also, if it should do more than counterbalance the excess alluded to, it will be safest to set off the surplus against those contingent demands, which, from time to time, occur.

No deduction has been made from the annual interest on account of the debt purchased. This has proceeded from a supposition that it will be deemed expedient by the Legislature, to appropriate inviolably the interest of any part of the debt which shall be, at any time, extinguished, towards the extinction of the remainder. This point will be more particularly submitted in a report on the subject of the public debt.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

LOANS.

Communicated to the House of Representatives, February 7, 1792.

TREASURY DEPARTMENT, January 23, 1792.

Pursuant to the order of the House of Representatives of the first of November, 1791, directing the Secretary of the Treasury "to report to the House the amount of the *subscriptions* to the loans proposed by the act making provision for the public debt, as well in the debts of the respective States, as in the domestic debt of the United States, and of the parts which remain unsubscribed, together with such measures as are, in his opinion, expedient to be taken on the subject," the said Secretary respectfully submits the following report:

1. The whole amount of the domestic debt of the United States, principal and interest, which has been subscribed to the loan proposed concerning that debt, by the act, entitled "An act making provision for the debt of the United States," according to the statement herewith transmitted, marked A, and subject to the observations accompanying that statement, is, - - - - $31,797,481 22

Which, pursuant to the terms of that act, has been converted into stock bearing an immediate interest of six per cent. per annum, 14,177,450 43

Stock bearing the like interest from the first of January, 1801, - - - - - - 7,088,727 79

Stock bearing an immediate interest of three per cent. per annum, - - - - - - 10,531,303 00

Making, together, $31,797,481 22

Of which there stands to the credit of the trustees of the sinking fund, in consequence of purchases of the public debt made under their direction, the sum of - - - -	$1,131,364	76
The unsubscribed residue of the said debt, according to the statements herewith transmitted, marked B and C, and subject to the observations accompanying the statement C, appears to amount to - - - - - -	$10,616,604	65
Consisting of registered debt, principal and interest, - - - - - - - - -	6,795,815	26
Unsubscribed stock on the books of the commissioners of loans for New Jersey, Pennsylvania, and Maryland, principal and interest, - - - - - - - - -	15,674	62
Credits on the books of the treasury, for which no certificates have been issued, principal and interest, - - - - - - - -	107,648	63
Outstanding or floating evidences of debt, estimated, per statement C, at - - - -	3,697,466	14
Making, together,	$10,616,604	65

Concerning which some further arrangement is necessary.

The greatest part of the registered debt, hitherto unsubscribed, is owned by citizens of foreign countries, most, if not all of whom appear now disposed to embrace the terms held out by the act above mentioned; extensive orders having been received from those creditors, to subscribe to the loan, after the time for receiving subscriptions had elapsed.

A considerable part of the outstanding or floating debt consists of loan-office certificates, issued between the first of September, 1777, and the first of March, 1778, bearing interest on the nominal sum. Many of the holders of this species of debt have come in upon the terms of this act, but others have, hitherto, declined it; alleging that the special nature of their contract

gives a peculiarity to their case, and renders the commutation proposed not so fair an equivalent to them, as in other instances. They also complain, that the act has had, towards them, a compulsory aspect, by refusing the temporary payment of interest, unless they should exchange their old for new certificates, essentially varying the nature of their contract.

A resolution of Congress of the tenth of September, 1777, stipulates, in favor of this class of creditors, interest upon the *nominal*, instead of the *real principal* of their debt, *until that principal be discharged.* This, certainly renders their contract of a nature more beneficial than that of other creditors; but they are, at the same time, liable to be divested of the extra benefit it gives them by a payment of their specie dues; and it may be observed, that they have actually enjoyed, and by accepting the terms offered to them, were enabled to realize, advantages superior to other creditors. They have been paid interest by bills on France from the tenth of September, 1777, to the first of March, 1782, while other creditors receive their interest in depreciated bills of the old emissions; and the terms of the loan proposed put it in their power to realize the benefit of interest, on the nominal amount of their respective debts, at rates from $6\frac{80}{100}$ nearly to $10\frac{47}{100}$ per cent. on their real or specie capital down to the last of December, 1790.

It does not, therefore, appear to have been an unreasonable expectation, that they, as readily as any other description of public creditors, would have acquiesced in a measure calculated for the accommodation of the Government, under circumstances in respect to which, it has been demonstrated, by *subsequent events*, that the accommodation desired, was consistent with the best interest of the public creditors. A large proportion of the parties interested have, indeed, viewed the matter in this light, and have embraced the proposition. It is probable that the *progress* of things will satisfy the remainder that it is equally their interest to concur, if a further opportunity be afforded. But it is, nevertheless, for themselves only to judge, how far the equivalent proposed is, in their case, a reasonable and fair one; how far any circumstances in their claim may suggest reasons for

moderation on their part; or how far any other motives, public or private, ought to induce an acceptance. And the principles of good faith require, that their election should be free.

On this ground, the complaint which regards the withholding of a temporary payment of interest, except on the condition of surrender of the old certificates for new ones, importing a contract substantially different, appears, to the Secretary, not destitute of foundation. He presumes that the operation of that provision, in the particular case, was not adverted to; or, that an exception would have been introduced, as most consonant with the general spirit and design of the act. Accordingly, the further measures which will be submitted, will contemplate a method of obviating the objection in question.

From the consideration that an extension of the time for receiving subscriptions, upon the terms of the act making provision for the debt of the United States, is desired by a large proportion of the non-subscribing creditors; and from the further consideration, that sufficient experience has not yet been had of the productiveness of a considerable branch of the revenues which have been established, to afford the light necessary to a final arrangement, it is, in the judgment of the Secretary, advisable to renew the proposition for a loan in the domestic debt, on the same terms with the one which has been closed, and to allow time for receiving subscriptions to it, until the last day of September next, inclusively; making provision for a temporary payment of interest, to such who may not think fit to subscribe, for the year 1792, of the like nature with that which was made in the same case for the year 1791, except, as to the holders of loan-office certificates, issued between the first of September, 1777, and the first of March, 1778; in respect to whom it is submitted as proper to dispense with the obligation of exchanging their old certificates for new, as the condition of their receiving interest in capacity of non-subscribers; and to allow them, without such exchange, to receive the same interest, both for the year 1791, and 1792, as if they had subscribed to the first loan. It will not be materially difficult so to regulate the operation at the treasury, as to avoid, in the particular case, that

danger of imposition by counterfeits, which was the motive to the general provision for an exchange of certificates.

2. The amount of the subscriptions in the debt of the respective States, within the limits of the sum assumed in each, appears, by the statement marked D, to be $17,072,334 39, subject to the observations accompanying that statement. Consequently the difference between the aggregate of the sums subscribed, and the aggregate of the sums assumed, is $4,427,665 61. This difference is to be attributed to several causes—the principal of which are the following: First, that the sums assumed, in respect to certain States, exceeded the actual amount of their existing debts. Second, that, in various instances, a part of the existing debt was in a form which excluded it from being received, without contravening particular provisions of the law; as in the case of certificates issued after the first day of January, 1790, in lieu of certificates which had been issued prior to that period, which was reported upon by the Secretary on the twenty-fifth day of February last. Third, ignorance of, or inattention to, the limitation of time for receiving subscriptions. It appears that a number of persons lost the opportunity of subscribing from the one or the other of these causes.

A strong desire that a further opportunity may be afforded for subscriptions in the debts of the States, has been manifested by the individuals interested. And the States of Rhode Island and New Hampshire have, by the public acts referred to the Secretary, indicated a similar desire. The affording of such further opportunity, may either be restricted within the limit, as to amount, which is contemplated by the act itself, or may receive an extension which will embrace the residuary debts of the States.

The first may be considered as nothing more than giving full effect to a measure already adopted.

The last appears to have in its favor all the leading inducements to what has been already done. The embarrassments which might arise from conflicting systems of finance are not entirely obviated. The efficacious command of the national

resources for national exigencies, is not unequivocally secured. The equalizing of the condition of the citizens of every State, and exonerating those of the States most indebted, from partial burthens which would press upon them, in consequence of exertions in a common cause, is not completely fulfilled, until the entire debt of every State, contracted in relation to the war, is embraced in one general and comprehensive plan. The inconvenience to the United States of disburthening the States, which are still encumbered with considerable debts, would bear no proportion to the inconvenience which they would feel, if left to struggle with those debts, unaided.

More general contentment, therefore, in the public mind, may be expected to attend such an exoneration, than the reverse; in proportion as the experience of actual inconvenience would be greater, though only applicable to parts, in the one, than in the other case.

With regard to States, parts only of the debts of which have been assumed, and in proportions short of those which have prevailed, in favor of other States, and short, also, of what would have resulted from a due apportionment of the entire sum assumed; the claim to a further assumption is founded on considerations of equal justice, as relative to the measure itself, considered in a separate and independent light.

But there is a further reason of material weight for an immediate general assumption. Moneyed men, as well foreigners as citizens, through the expectation of an eventual assumption, or that, in some shape or other, a substantial provision will be made for the unassumed residue of the State debts, will be induced to speculate in the purchase of them. In proportion as the event is unsettled, or uncertain, the price of the article will be low, and the present proprietors will be under disadvantage in the sale. The loss to them in favor of the purchasers is to be regarded as an evil; and as far as it is connected with a transfer to foreigners, at an undervalue, it will be a national evil. By whatsoever authority an ultimate provision may be made, there will be an absolute loss to the community, equal to the total amount of such undervalue.

It may appear an objection to the measure, that it will require an establishment of additional funds by the Government of the United States. But this does not seem to be a necessary consequence. The probability is, that, without a supplementary assumption, an equal or very nearly equal augmentation of funds will be requisite to provide for *greater* balances in favor of certain States; which would be proportionably diminished by such assumption. The destination, not the quantum of the fund, will, therefore, be the chief distinction between the two cases.

It may, also, appear an objection to a total assumption, that the magnitude of the object is not ascertained with precision. It is not certainly known, what is the sum due in each State; nor has it been possible to acquire the information, owing to different causes. But, though precise data are deficient, there are materials which will serve as guides. From the returns received at the treasury, assisted by information in other ways, it may be stated, without danger of material error, that the remaining debts of the States, over and above the sums already subscribed, will not exceed the amounts specified in statement D, accompanying this report. And that, including sums already subscribed, the total amount to be *ultimately* provided for, in the event of a general assumption, will not exceed $25{,}403{,}362\frac{7}{10}\frac{1}{0}$ dollars, which would constitute an addition of $3{,}903{,}362\frac{7}{10}\frac{1}{0}$ dollars to the sum of 21,500,000 dollars already assumed.

Should a total assumption be deemed eligible, it may, still, be advisable to assign a determinate sum for each State, that the utmost limit of the operation may be pre-established; and it is necessary, in order to the certainty of a due provision, in proper time, that interest should not begin to be payable, on the additional sums assumed, till after the year 1792.

It will occur, that provision has been made for paying to each State, in trust for its non-subscribing creditors, an interest upon the difference between the sum assumed for each State, and that actually subscribed, equal to what would have been payable, if it had been subscribed.

In the event of a further assumption, either within the limits already established, or commensurate with the remaining debts

of the States, it is conceived that it will not be incompatible with the provision just mentioned, to retain, at the end of each quarter, during the progress of the further subscription, out of the money directed to be paid to each State, a sum corresponding with the interest upon so much of its debts as shall have been subscribed to that period, paying the overplus, if any, to the State. An absolute suspension of that payment does not appear consistent with the nature of the stipulation included in that provision; for, though the money to be paid to a State be expressly a trust for the non-subscribing creditors, yet, as it cannot be certain beforehand, that they will elect to change their condition, the possibility of it will not justify a suspension of payment to the State, which might operate as suspension of payment to the creditors themselves.

A further objection to such a suspension results from the idea, that the provision in question appears to have a secondary object: namely, as a pledge for securing a provision for whatever balance may be found due to a State, on the general settlement of accounts. The payment directed to be made to a State is "to continue *until* there shall be a settlement of accounts between the United States and the individual States, and, in case a balance should then appear in favor of a State, *until* provision shall be made for the said balance."

This secondary operation as a pledge or security (consistently with the intent of the funding act) can only be superseded in favor of the primary object, a *provision for the creditors*, and as far as may be necessary to admit them to an effectual participation of it. But as whatever money may be paid to a State, is to be paid over to its creditors, proportional deductions may, with propriety, be made from the debts of those creditors who may hereafter subscribe, so as that the United States may not have to pay twice for the same purpose.

If it shall be judged expedient either to open again, or extend the assumption, it will be necessary to vary the description of the debts which may be subscribed, so as to comprehend all those which have relation to services or supplies during the war, under such restrictions as are requisite to guard against abuse.

In the original proposition for an assumption of the State debts, and in the suggestions now made on the same subject, the Secretary has contemplated, and still contemplates, as a material part of the plan, an effectual provision for the sale of the vacant lands of the United States. He has considered this resource as an important mean of sinking a part of the debt, and facilitating ultimate arrangements concerning the residue. If supplementary funds shall be rendered necessary, by an additional assumption, the provision will most conveniently be made at the next session of Congress, when the productiveness of the existing revenues, and the extent of the sum to be provided for, will be better ascertained.

There is a part of the public debt of the United States, which is a cause of some perplexity to the Treasury. It is not comprehended within the existing provision for the foreign debt, which is confined to *loans* made abroad; and it is questionable whether it is to be regarded as a portion of the domestic debt. It is not only due to *foreigners*, but the interest upon it is payable, by express stipulation, in a foreign country; whence it becomes a matter of doubt, whether it be at all contemplated by the act making provision for the debt of the United States. The part alluded to is that which is due to certain foreign officers, who served the United States during the late war. In consequence of a resolution of Congress, directing their interest to be paid to them in France, the certificates which were issued to them specify, that, "in pursuance of and compliance with a certain resolution of Congress, of the third day of February, 1784, the said interest is to be paid, annually, at the house of Mons. le Grand, banker in Paris." Interest has accordingly been paid to them at Paris, down to the 31st of December, 1788, by virtue of a special resolution of Congress, of the 20th of August in that year; since which period, no payment has been made.

It has been heretofore suggested, as the opinion of the Secretary, that it would be expedient to cause the whole of this description of debt to be paid off; among other reasons, because it bears an interest at six per centum per annum, payable abroad, and can be discharged with a saving. The other reasons alluded

to are of a nature both weighty and delicate, and too obvious, it is presumed, to need a specification. Some recent circumstances have served to strengthen the inducements to the measure. But if it should, finally, be deemed unadvisable, it is necessary, at least, that provision should be made for the interest, which is now suspended, under the doubt that has been stated, and from the want of authority to *remit* it pursuant to the contract.

The amount of this debt, with the arrears of interest to the end of the year 1791, is $220,646 81.

4. The act making provision for the debt of the United States, has appropriated the proceeds of the Western lands, as a fund for the discharge of the public debt. And the act making provision for the reduction of the public debt, has appropriated all the surplus of the duties on imports and tonnage, to the end of the year 1790, to the purpose of purchasing the debt at the market price, and has authorized the President to borrow the further sum of two millions of dollars for the same object.

These measures serve to indicate the intention of the Legislature, as early and as fast as possible, to provide for the extinguishment of the existing debt.

In pursuance of that intention, it appears advisable that a systematic plan should be begun for the creation and establishment of a sinking fund.

An obvious basis of this establishment, which may be immediately contemplated, is the amount of the interest on as much of the debt as has been, or shall be, from time to time, purchased, or paid off, or received in discharge of any debt or demand of the United States, made payable in public securities, over and above the interest of any new debt, which may be created, in order to such purchase or payment.

The purchases of the debt, already made, have left a sum of interest in the treasury, which will be increased by future purchases; certain sums payable to the United States, in their own securities, will, when received, have a similar effect. And there is ground to calculate on a saving upon the operations, which are in execution with regard to the foreign debt. The sale of the Western lands, when provision shall be made for it, may be expected to produce a material addition to such a fund.

It is therefore submitted, that it be adopted as a principle, that all interest which shall have ceased to be payable by any of the means above specified, shall be set apart and appropriated in the most firm and inviolable manner as a fund for sinking the public debt, by purchase or payment; and that the said fund be placed under the direction of the officers, named in the second section of the act making provision for the reduction of the public debt, to be by them applied towards the purchase of the said debt, until the annual produce of the said fund shall amount to two per cent. of the entire portion of the debt which bears a present interest of six per centum, and thenceforth to be applied towards the redemption of that portion of the debt, according to the right which has been reserved to the Government. It will deserve the consideration of the Legislature, whether this fund ought not to be so vested, as to acquire the nature and quality of a *proprietary* trust, incapable of being diverted without a violation of the principles and sanctions of *property*.

A rapid accumulation of this fund would arise from its own operation; but it is not doubted, that the progressive development of the resources of the country, and a reduction of the rate of interest, by the progress of public credit, already exemplified in a considerable degree, will speedily enable the Government to make important additions to it in various ways. With due attention to preserve order and cultivate peace, a strong expectation may be indulged that a reduction of the debt of the country will keep pace with the reasonable hopes of its citizens.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

[Schedules A, B, C, D, State Papers, Finance, vol. i., pp. 149, 150, 151.]

SPIRITS, FOREIGN AND DOMESTIC.

Communicated to the House of Representatives, March 6, 1792.

TREASURY DEPARTMENT, March 5, 1792.

In obedience to the orders of the House of Representatives of the first and second days of November last, the first directing the Secretary of the Treasury to report to the House such information as he may have obtained, respecting any difficulties which may have occurred, in the execution of the act "repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, imported from abroad, and laying others in their stead, and, also, upon spirits distilled within the United States, and for appropriating the same," together with his opinion thereupon; the second directing him to report to the House whether any, and what, alterations in favor of the spirits which shall be distilled from articles of the growth or produce of the United States, or from foreign articles, within the same, can, in his opinion, be made in the act for laying duties upon spirits distilled within the United States, consistently with its main design, and with the maintenance of the public faith; the said Secretary respectfully submits the following report:

From the several petitions and memorials which have been referred to the Secretary, as well as from various representations which have been made to him, it appears that objections have arisen in different quarters against the above mentioned act, which have, in some instances, embarrassed its execution, and inspired a desire of its being repealed; in others, have induced a wish that alterations may be made in some of its provisions.

These objections have reference to a supposed tendency of the act, first, to contravene the principles of liberty; secondly, to injure morals; thirdly, to oppress by heavy and excessive penalties; fourthly, to injure industry, and interfere with the business of distilling.

As to the supposed tendency of the act to contravene the principles of liberty, the discussions of the subject which have had place in and out of the Legislature, supersede the necessity of more than a few brief general observations.

It is presumed that a revision of the point cannot, in this respect, weaken the convictions which originally dictated the law.

There can surely be nothing in the nature of an *internal duty* on a *consumable* commodity, more incompatible with liberty, than in that of an external duty, on a like commodity. A doctrine which asserts, that all duties of the former kind (usually denominated excises) are inconsistent with the genius of a free government, is too violent, and too little reconcilable with the necessities of society, to be true. It would tend to deprive the Government of what is, in most countries, a principal source of revenue, and, by narrowing the distribution of taxes, would serve to oppress particular kinds of industry. It would throw, in the first instance, an undue proportion of the public burthen on the merchant and on the landholder.

This is one of those cases in which names have an improper influence, and in which prepossessions exclude a due attention to facts.

Accordingly, the law under consideration is complained of, though free from the features which have served, in other cases, to render laws on the same subject exceptionable: and, though the differences have been pointed out, they have not only been overlooked, but the very things, which have been studiously avoided in the formation of the law, are charged upon it, and that, too, from quarters where its operation would, from circumstances, have worn the least appearance of them.

It has been, heretofore, noticed, that the chief circumstances which, in certain excise laws, have given occasion to the charge of their being unfriendly to liberty, are not to be found in the act which is the subject of the report, viz.: first, a summary and discretionary jurisdiction in the excise officers, contrary to the course of the common law, and in abridgment of the right of trial by jury; and secondly, a general power, in the same officers, to search and inspect, *indiscriminately*, all the houses and build-

ings of the persons engaged in the business to which the tax relates.

As to the first particular, there is nothing in the act, even to give color to a charge of the kind against it, and, accordingly, it has not been brought. But, as to the second, a very *different power* has been mistaken for it, and the act is complained of as conferring that very power of indiscriminate search and inspection.

The fact, nevertheless, is otherwise. An officer, under the act in question, can inspect or search no house or building, or even *apartment* of any house or building, which had not been *previously entered* and *marked* by the possessor, as a place used for distilling or keeping spirits.

And even the power, so qualified, is only applicable to distilleries from foreign materials, and in cities, towns, and villages, from domestic materials; that is, only in cases in which the law contemplates that the business is carried on upon such a scale as effectually to separate the *distillery* from the *dwelling* of the distiller. The distilleries scattered over the country, which form much the greatest part of the whole, are in no degree subject to discretionary inspection and search.

The true principles of the objection which may be raised to a general discretionary power of inspection and search, is, that the *domicil* or *dwelling* of a citizen ought to be free from vexatious inquisition and intrusion.

This principle cannot apply to a case in which it is put in his own power to separate the place of his *business* from the place of his *habitation;* and, by designating the former by visible public marks, to avoid all intermeddling with the latter.

A distillery seldom forms a part of the *dwelling* of its proprietor, and even where it does, it depends on him to direct and limit the power of visiting and search, by marking out the particular *apartments* which are so employed.

But the requisition upon the distiller to set marks on the building or apartments which he makes use of in his business, is one of the topics of complaint against the law. Such marks are represented as a dishonorable badge; and thus a regulation,

designed as much to conform with the feelings of the citizen, as for the security of the revenue, is converted into matter of objection.

It is not easy to conceive what maxim of liberty is violated, by requiring persons who carry on particular trades, which are made contributory to the revenue, to designate, by public marks, the places in which they are carried on. There can certainly be nothing more harmless, or less inconvenient, than such a regulation. The thing itself is frequently done by persons of various callings, for the information of customers; and why it should become a hardship or grievance, if required for a public purpose, can, with difficulty, be imagined.

The supposed tendency of the act to injure morals, seems to have relation to the oaths, which are, in a variety of cases, required, and which are liable to the objection, that they give occasion to perjuries.

The necessity of requiring oaths is, whenever it occurs, matter of regret. It is certainly desirable to avoid them as often and as far as possible; but it is more easy to desire than to find a substitute. The requiring of them is not peculiar to the act in question: they are a common appendage of revenue laws, and are among the usual guards of those laws, as they are of public and private rights in courts of justice. They constantly occur in jury trials, to which the citizens of the United States are so much and so justly attached. The same objection, in different degrees, lies against them in both cases, yet it is not perceivable how they can be dispensed with in either.

It is remarkable, that *both* the kinds of security to the revenue, which are to be found in the act, the oaths of parties, and the inspection of officers, are objected to. If they are both to be abandoned, it is not easy to imagine what security there can be for any species of revenue, which is to be collected from articles of consumption.

If precautions of this nature are inconsistent with liberty, and immoral, as there are very few indirect taxes, which can be collected without them, the consequence must be, that the entire or almost entire weight of the public burthens must, in the first instance,

fall upon fixed and visible property, houses and lands—a consequence which would be found, in experiment, productive of great injustice and inequality, and ruinous to agriculture.

It has been suggested by some distillers, that both the topics of complaint which have been mentioned, might be obviated by a fixed rate of duty, adjusted according to a ratio compounded of the capacity of each still, and the number and capacities of the cisterns employed with it; but this, and every similar method, are objected to by other distillers, as tending to great inequality, arising from unequal supplies of the material at different times, and at different places, from the different methods of distillation practised by different distillers, and from the different degrees of activity in the business, which arise from capitals more or less adequate.

The result of an examination of this point appears to be, that every such mode, in cases in which the business is carried on upon an extensive scale, would, necessarily, be attended with considerable inequalities; and, upon the whole, would be less satisfactory than the plan which has been adopted.

It is proved by the fullest information, that, in regard to distillers which are rated in the law, according to the capacity of each still, the alternative of paying, according to the quality actually distilled, is received in many parts of the United States as essential to the equitable operation of the duty. And it is evident, that such an alternative could not be allowed but upon the condition of the party rendering upon oath an account of the quantity of spirits distilled by him, without entirely defeating the duty.

As to the charge, that the penalties of the act are severe and oppressive, it is made in such general terms, and so absolutely without the specification of a single particular, that it is difficult to imagine where it points.

The Secretary, however, has carefully reviewed the provisions of the act, in this respect, and he is not able to discover any foundation for the charge.

The penalties it inflicts are in their nature the same with those which are common in revenue laws, and, in their degree, comparatively moderate.

Pecuniary fines, from fifty to five hundred dollars, and forfeiture of the article in respect to which there has been a failure to comply with the law, are the severest penalties inflicted upon delinquent parties, except in a very few cases: In two, a forfeiture of the value of the article is added to that of the article itself, and in some others, a forfeiture of the ship or vessel, and of the wagon or other instrument of conveyance, assistant in a breach of law, is likewise involved.

Penalties like these, for wilful and fraudulent breaches of an important law, cannot, truly, be deemed either unusual or excessive. They are less than those which secure the laws of impost, and as moderate as can promise security to any object of revenue which is capable of being evaded.

There appears to be but one provision in the law, which admits of a question whether the penalty prescribed may not partake of severity. It is that which inflicts the pains of perjury on any person who shall be convicted of "wilfully taking a false oath or affirmation in any of the cases in which oaths or affirmations are required by the act."

Precedents in relation to this particular, vary. In many of them, the penalties are less severe than for perjury, in courts of justice; in others, they are the same. The latter are, generally, of the latest date, and seem to have been the result of experience.

The United States have, in other cases, pursued the same principle as in the law in question. And the practice is certainly founded on strong reasons.

1st. The additional security which it gives to the revenue, cannot be doubted. Many who would risk pecuniary forfeitures and penalties, would not encounter the more disgraceful punishment annexed to perjury.

2d. There seems to be no solid distinction between one false oath in violation of law and right and another false oath in violation of law and right. A distinction in the punishments of different species of false swearing, is calculated to beget false opinions concerning the sanctity of an oath; and by countenancing an impression, that a violation of it is less heinous in the

cases in which it is less punished, it tends to impair in the mind that scrupulous veneration for the obligation of an oath, which ought always to prevail, and not only to facilitate a breach of it in the cases which the laws have marked with less odium, but to prepare the mind for committing the crime in other cases.

So far is the law under consideration from being chargeable with particular severity, that there are to be found in it, marks of more than common attention, to prevent its operating severely or oppressively.

The 43rd section of the act contains a special provision (and one which, it is believed, is not to be found in any law enacted in this country, prior to the present constitution of the United States), by which forfeitures and penalties incurred, without an intention of fraud or wilful negligence, may be mitigated or remitted.

This mild and equitable provision is an effectual guard against suffering or inconvenience, in consequence of undesigned transgressions of the law.

The 30th section contains a provision in favor of persons, who, though innocent, may accidentally suffer by seizures of their property (as in the execution of the revenue laws sometimes unavoidably happens), which is, perhaps, entirely peculiar to the law under consideration. Where there has even been a *probable* cause of seizure, sufficient to acquit an officer, the jury are to assess whatever damages may have accrued from any injury to the article seized, with an allowance for the detention of it, at the rate of six per centum per annum of the value, which damages are to be paid out of the public treasury.

There are other provisions of the act which mark the scrupulous attention of the Government to protect the parties concerned from inconvenience and injury, and which conspire to vindicate the law from imputations of severity or oppression.

The supposed tendency of the act to injure industry, and to interfere with the business of distilling, is endeavored to be supported by some general and some special reasons, both having relation to the effect of the duty upon the manufacture.

Those of the first kind affirm generally, that duties on home

manufactures are impolitic, because they tend to discourage them; that they are particularly so, when they are laid on articles manufactured from the produce of the country, because they have, then, the additional effect of injuring agriculture; that it is the general policy of nations to protect and promote their own manufactures, especially those which are wrought out of domestic materials; that the law in question interferes with this policy.

Observations of this kind admit of an easy answer. Duties on manufactures tend to discourage them, or not, according to the circumstances under which they are laid; and are impolitic or not, according to the same circumstances. When a manufacture is in its infancy, it is impolitic to tax it, because the tax would be both unproductive, and would add to the difficulties which naturally impede the first attempts to establish a new manufacture, so as to endanger its success.

But when a manufacture (as in the case of distilled spirits in the United States) is arrived at maturity, it is as fit an article of taxation as any other. No good reason can be assigned why the consumer of a domestic commodity should not contribute something to the public revenue, when the consumer of a foreign commodity contributes to it largely. And, as a general rule, it is not to be disputed, that duties on articles of consumption are paid by the consumers.

To the manufacture itself, the duty is no injury, if an equal duty be laid on the rival foreign article. And when a greater duty is laid upon the latter than upon the former, as in the present instance, the difference is a bounty on the domestic article, and operates as an encouragement of the manufacture. The manufacturer can afford to sell his fabric the cheaper, in proportion to that difference, and is so far enabled to undersell and supplant the dealer in the foreign article.

The principle of the objection would tend to confine all taxes to imported articles, and would deprive the Government of resources, which are indispensable to a due provision for the public safety and welfare, contrary to the plain intention of the constitution, which gives express power to employ those re-

sources when necessary—a power which is found in all governments, and is essential to their efficiency, and even to their existence.

Duties on articles of internal production and manufacture, form, in every country, the principal sources of revenue. Those on imported articles can only be carried to a certain extent, without defeating their object, by operating either as prohibitions, or as bounties upon smuggling. They are, moreover, in some degree, temporary; for, as the growth of manufactures diminishes the quantum of duty on imports, the public revenue, ceasing to arise from that source, must be derived from articles which the national industry has substituted for those previously imported. If the Government cannot then resort to internal means for the additional supplies, which the exigencies of every nation call for, it will be unable to perform its duty, or even to preserve its existence. The community must be unprotected, and the social compact be dissolved.

For the same reasons that a duty ought not to be laid on an article manufactured out of the country (which is the point most insisted upon), it ought not to be laid upon the produce itself, nor consequently upon the land, which is the instrument of that produce; because taxes are laid upon *land*, as the *fund* out of which the *income* of the proprietor is drawn; or, in other words, *on account of its produce*. There ought, therefore, on the principle of the objection, to be neither taxes on land, nor the produce of land, nor on articles manufactured from that produce. And if a nation should be in a condition to supply itself with its own manufactures, there could then be very little, or no revenue; of course, there must be a want of the essential means of national justice and national security.

Positions like these, however well meant by those who urge them, refute themselves, because they tend to the dissolution of government, by rendering it incapable of providing for the objects for which it is instituted.

However true the allegation, that it is, and ought to be, the prevailing policy of nations to cherish their own manufactures, it is equally true, that nations, in general, lay duties for the

purpose of revenue, on their own manufactures; and it is obvious, to a demonstration, that it may be done without injury to them. The most successful nations in manufactures have drawn the largest revenues from the most useful of them. It merits particular attention, that ardent spirits are an article which has been generally deemed, and made use of, as one of the fittest objects of revenue, and to an extent, in other countries, which bears no comparison with what has been done in the United States.

The special reasons alluded to, are of different kinds:

1. It is said, that the act in question, by laying a smaller *additional* duty on foreign spirits than the duty on home-made spirits, has a tendency to discourage the manufacture of the latter.

This objection merits consideration, and, as far as it may appear to have foundation, ought to be obviated.

The point, however, seems not to have been viewed, in all its respects, in a correct light.

Before the present constitution of the United States began to operate, the regulations of the different States, respecting distilled spirits, were very dissimilar. In some of them, duties were laid on foreign spirits only; in others, on domestic as well as foreign. The absolute duty, in the former instances, and the difference of duty in the latter, was, upon an average, considerably less than the present difference in the duties on foreign and home-made spirits. If to this be added, the effect of the uniform operation of the existing duties throughout the United States, it is easy to infer, that the situation of our own distilleries is, in the main, much better, as far as they are affected by the laws, than it was previous to the passing of any act of the United States upon the subject. They have, therefore, upon the whole, gained materially, under the system which has been pursued by the National Government.

The first law of the United States on this head, laid a duty of no more than eight cents per gallon on those of Jamaica proof. The second increased the duty on foreign spirits to twelve cents per gallon, of the lowest proof, and by certain gradations, to

fifteen cents per gallon, of Jamaica proof. The last act places the duty at twenty cents per gallon, of the lowest proof, and extends it, by the like gradations, to twenty-five cents per gallon, of Jamaica proof; laying, also, a duty of eleven cents per gallon on home-made spirits, distilled from foreign materials of the lowest proof, with a like gradual extension to fifteen cents per gallon of Jamaica proof; and a duty of nine cents per gallon on home-made spirits, distilled from domestic materials of the lowest proof, with the like gradual extension to thirteen cents per gallon, of Jamaica proof.

If the transition had been immediate from the first to the last law, it could not have failed to have been considered as a change in favor of our own distilleries, as far as the rate of duty is concerned. The mean duty on *foreign spirits*, by the first law, was nine cents; by the last, the mean *extra* duty on foreign spirits is, in fact, about eleven cents, as it regards spirits distilled from *foreign* materials, and about thirteen as it regards spirits distilled from *domestic* materials. In making this computation, it is to be adverted to, that the four first degrees of proof mentioned in the law, correspond with the different kinds of spirits usually imported, while the generality of those made in the United States, are of the lowest class of proof.

Spirits from domestic materials, derived a double advantage from the last law; that is, from the increased rate of duty on foreign imported spirits, and from a higher rate of duty on home-made spirits of foreign materials.

But the intervention of the second law has served to produce, in some places, a different impression of the business than would have happened without it. By a considerable addition to the duties on foreign spirits, without laying any thing on those of home manufacture, it has served to give to the last law the appearance of taking away a part of the advantages previously secured to the domestic distilleries. It seems to have been overlooked, that the second act ought, in reality, to be viewed only as an intermediate step to the arrangement finally contemplated by the legislature; and that, as part of a system, it has, upon the whole, operated in favor of the national distilleries. The thing

to be considered is the substantial existing difference in favor of the home manufacture, as the law now stands.

The advantage, indeed, to the distillation of spirits from the produce of the country, arising from the difference between the duties on spirits distilled from foreign, and those distilled from domestic materials, is exclusively the work of the last act, and is an advantage which has not been properly appreciated by those distillers of spirits from home produce, who have complained of the law as hurtful to their manufacture.

Causes entirely foreign to the law itself, have also assisted in producing misapprehension. The approximation of the price of home-made spirits to that of foreign spirits, which has, of late, taken place, and which is attributed to the operation of the act in question, is in a great degree owing to the circumstances which have tended to raise the price of molasses in the West India market, and to an extra importation of foreign spirits prior to the first of July last, to avoid the payment of the additional duty which then took place.

It is stated in the petition from Salem, that, previous to the last act, the price of domestic to foreign spirits was as 1*s.* 9*d.* to 3*s.* 4*d.* of the money of Massachusetts, per gallon, and that, since that act, it has become as 3*s.* 3*d.* to 4*s.* 2*d.*

It is evident that a rise from 1*s.* 9*d.* to 3*s.* 3*d.* per gallon, which would be equal to twenty cents, is not to be attributed wholly to a duty of eleven cents. Indeed, if there were a concurrence of no other cause, the inference would be very different from that intended to be drawn from the fact, for it would evince a profit gained to the distiller of more than eighty per cent. on the duty.

It is, however, meant to be understood, that this approximation of prices, occasions a greater importation and consumption of foreign, and a less consumption of domestic spirits than formerly. How far this may, or may not be the case, the Secretary is not now able to say with precision, but no facts have come under his notice officially, which serve to authenticate the suggestion; and it must be considered as possible, that representations of this kind are rather the effect of apprehension

than of experience. It would even be not unnatural, that a considerable enhancement of the prices of the foreign article, should have led to a greater consumption of the domestic article, as the cheapest of the two, though dearer itself than formerly.

But, while there is ground to believe, that the suggestions which have been made on this point, are, in many respects, inaccurate and misconceived, there are known circumstances, which seem to render advisable, some greater difference between the duties on foreign and on home-made spirits. These circumstances have been noticed in the report of the Secretary, on the subject of manufactures, and an alteration has been proposed, by laying two cents in addition, upon imported spirits of the lowest proof, with a proportional increase on the higher proofs, and by deducting one cent from the duty on the lowest proof of home-made spirits, with a proportional diminution in respect to the higher proofs.

This alteration would bring the proportion of the duties nearly to the standard which the petitioner, Hendrick Doyer, who appears likely to be well informed on the subject, represents as the proper one, to enable the distillation of Geneva to be carried on with the same advantage as before the passing of the act. He observes, that the duty on home-made Geneva, being nine cents, the additional duty on foreign ought to have been twelve cents. By the alteration proposed, the proportion will be as ten to eight, which is little different from that of twelve to nine.

It is worthy of remark, that the same petitioner states, that, previous to the passing of the act of which he complains, he "could sell his Geneva sixteen and a quarter per cent. under the price of Holland Geneva, but that he cannot do it at present, and in future, lower than fourteen per cent." If, as he also states, the quality of his Geneva be equal to that of Holland, and, if his meaning be, as it appears to be, that he can now afford to sell his Geneva lower, by fourteen per cent., than the Geneva of Holland, it will follow, that the manufacture of that article is in a very thriving train, even under the present rate of duties. For a difference of fourteen per cent. in the price, is capable of giving a decided preference to the sale of the domestic article.

2. It is objected, that the duty, by being laid in the first instance upon the distiller, instead of the consumer, makes a larger capital necessary to carry on the business; and, in this country, where capitals are not large, puts the national distiller under disadvantages.

But this inconvenience, as far as it has foundation, in the state of things, is essentially obviated by the credits given. Where the duty is payable upon the quantity distilled, a credit is allowed, which cannot be less than six, and may extend to nine months. Where the duty is charged on the capacity of the still, it is payable half yearly. Sufficient time is, therefore, allowed, to raise the duty from the sale of the article: which supersedes the necessity of a greater capital. It is well known, that the article is one usually sold for cash, or at a short credit. If these observations are not applicable to distilleries in the interior country, the same may be said, in a great degree, of the objection itself. The course of the business, in that quarter, renders a considerable capital less necessary than elsewhere. The produce of the distiller's own farm, or of the neighboring farms, brought to be distilled upon shares, or compensations in the article itself, constitute the chief business of the distilleries in the remote parts of the country. In the comparatively few instances in which they may be prosecuted as a regular business, upon a large scale, by force of capital, the observations which have been made, will substantially apply.

The collection of the duty from the distiller, has, on the other hand, several advantages. It contributes to equality, by charging the article, in the first stage of its progress, which diffuses the duty among all classes alike. It the better secures the collection of the revenue, by confining the responsibility to a smaller number of persons, and simplifying the process. And it avoids the necessity of so great a number of officers, as would be required in a more diffuse system of collection, operating immediately upon purchasers and consumers. Besides, that the latter plan would tranfer whatever inconveniences may be incident to the collection from a smaller to a greater number of persons.

3. It is alleged that the inspection of the officers is injurious

to the business of distilling, by laying open its secrets or mysteries.

Different distillers, there is no doubt, practise, in certain respects, different methods in the course of their business, and have different degrees of skill. But it may well be doubted whether, in a business so old and so much diffused as that of the distillation of spirits, there are at this day secrets of consequence to the possessors. There will, at least, be no hazard in taking it for granted, that none such exist in regard to the distillation of rum from molasses or sugar, or of the spirits from grain usually called whisky, or of brandies from the fruits of this country. The cases in which the allegations are made with most color, apply to Geneva, and, perhaps, to certain cordials.

It is probable that the course of the business might and would always be such as, in fact, to involve no inconvenience on this score. But, as the contrary is affirmed, and as it is desirable to obviate complaint as far as it can be done consistently with essential principles and objects, it may not be unadvisable to attempt a remedy.

It is to be presumed, that, if any secrets exist, they relate to a primary process, particularly the mixture of the ingredients; this, it is supposable, cannot take a greater time each day, than two hours. If, therefore, the officers of inspection were enjoined to forbear their visits to the part of the distillery commonly made use of for such process, during a space not exceeding two hours in each day, to be notified by the distiller, there is ground to conclude that it would obviate the objection.

4. The regulations for marking of casks and vessels, as well as houses and buildings, also furnish matter of complaint.

This complaint, as it regards houses and buildings, has been already attended to. But there is a light in which it is made, that has not yet been taken notice of.

It is said, that the requiring the doors of the apartments, as well as the outer door of each building, to be marked, imposes unnecessary trouble.

When it is considered, how little trouble or expense attends the execution of this provision, in the first instance, and that the

marks once set, will endure for a great length of time, the objection to it appears to be without weight.

But the provision, as it relates to the apartments of buildings, has for its immediate object the convenience of the distillers themselves. It is calculated to avoid the very evil of an indiscriminate search of their houses and buildings, by enabling them to designate the *particular apartments* which are employed for the purposes of their business, and to secure all others from inspection and visitation.

The complaint, as it respects the marking of casks and vessels, has somewhat more foundation. It is represented (and upon careful inquiry appears to be true) that, through long established prejudice, home-made spirits of *equal quality* with foreign, if known to be home-made, will not command an equal price. This particularly applies to Geneva.

If the want of a distinction between foreign and home-made spirits were an occasion of fraud upon consumers, by imposing a worse for a better commodity, it would be a reason for continuing it; but as far as such a distinction gives operation to a mere prejudice, favorable to a foreign, and injurious to a domestic manufacture, it furnishes a reason for abolishing it.

Though time might be expected to remove the prejudice, the progress of the domestic manufacture, in the interval, might be materially checked.

It appears, therefore, expedient to remove this ground of complaint, by authorizing the same marks and certificates both for foreign and for home-made Geneva.

Perhaps, indeed, it may not be unadvisable to vest somewhere a discretionary power to regulate the forms of certificates which are to accompany, and the particular marks which are to be set upon casks and vessels containing spirits, generally, as may be found convenient in practice.

Another source of objection with regard to the marking of casks is, that there is a general prohibition against defacing, or altering the marks, and a penalty upon doing it, which prevents the using of the same casks more than once, and occasions waste, loss, and embarrassment.

It is conceived that this prohibition does not extend to the effacing of old marks, and placing of new ones, by the officers of the revenue, or in their presence, and by their authority. But as real inconveniences would attend a contrary construction, and there is some room for question, it appears desirable that all doubt should be removed by an explicit provision to enable the officer to efface old marks and substitute new ones, when casks have been emptied of their former contents and are wanted for new use.

5. The requisition to keep an account from day to day of the quantity of spirits distilled, is represented both as a hardship, and impossible to be complied with.

But the Secretary is unable to perceive that it can justly be viewed either in the one or in the other light. The trouble of setting down, in the evening, the work of the day, in a book prepared for, and furnished to the party, must be inconsiderable, and the doing of it would even conduce to accuracy in business.

The idea of impracticability must have arisen from some misconception. It seems to involve a supposition that something is required different from the truth of the fact. Spirits distilled are usually distinguished into high wines, proof spirits, and low wines. It is certainly possible to express, each day, the quantity of each kind produced, and where one kind is converted into another, to explain it by brief notes, showing in proper columns the results in those kinds of spirits which are ultimately prepared for sale.

A revision is now making of the forms at first transmitted, and it is not doubted that it will be easy to obviate the objection of impracticability.

On full reflection, the Secretary is of opinion that the requisition in this respect is a reasonable one, and that it is of importance to the due collection of the revenue, especially in those cases where, by the alternative allowed in favor of country distilleries, the oath of a party is the only evidence of the quantity produced. It is useful in every such case to give the utmost possible *precision* to the object which is to be attested.

6. It is alleged as a hardship, that distilleries are held respon-

sible for the duties on spirits which are exported, till certain things, difficult to be performed, are done, in order to entitle the exporter to the drawback.

This is a misapprehension. The drawback is at all events to be paid in six months, which is as early as the duty can become payable, and frequently earlier than it does become payable. And the Government relies on the bond of the exporter for a fulfilment of the conditions upon which the drawback is allowed.

An explanation to the several collectors, of this point, which has taken place since the complaint appeared, will have removed the cause of it.

The same explanation will obviate another objection, founded on the supposition that the bond of the distiller and that of the exporter are for a like purpose. The latter is merely to secure the landing of the goods in a foreign country, and will often continue depending after every thing relative to duty and drawback has been liquidated and finished.

7. It is an article of complaint that no drawback is allowed in case of shipwreck, when spirits are sent from one port to another in the United States.

There does not occur any objection to a provision for making an allowance of that kind, which would tend to alleviate misfortune, and give satisfaction.

8. The necessity of twenty-four hours' notice, in order to the benefit of drawback on the exportation of spirits, and the prohibition to remove them from a distillery after sunset, except in the presence of an officer, are represented as embarrassments to business.

The length of notice required appears greater than is necessary. It is not perceived that any inconvenience could arise from reducing the time to six hours.

But it is not conceived to be necessary or expedient to make an alteration in the last mentioned particular. The prohibition is of real consequence to the security of the revenue. The course of business will readily adapt itself to it, and the presence of an officer in extraordinary cases will afford due accommodation.

9. It is stated as a hardship, that there is no allowance for leakage and wastage, in the case of spirits shipped from one State to another.

The law for the collection of the duties on imports and tonnage allows two per cent. for leakage, on spirits imported. A similar allowance on home-made spirits at the distillery, does not appear less proper.

10. It is mentioned as a grievance, that distillers are required to give bond, *with surety*, for the amount of the duties, and that the sufficiency of the surety is made to depend on the discretion of the chief officer of inspection.

The requiring of sureties can be no more a hardship on distillers, than on importing merchants, and every other person to whom the public afford a credit. It is a natural consequence of the credit allowed; and a very reasonable condition of the indulgence, which, without this precaution, might be imprudent, and injurious to the United States.

The party has his option to avoid it by prompt payment of the duty, and is even entitled to an abatement, which may be considered as a premium, if he elects to do so.

As to the second point, if sureties are to be given, there must be some person on the part of the Government to judge of their sufficiency, otherwise the thing itself would be nugatory; and the discretion cannot be vested more conveniently for the party, than in the chief officer of inspection for the survey.

A view has now been taken of most, if not of all, the objections of a general nature, which have appeared.

Some few, of a local complexion, remain to be attended to.

The representation signed Edward Cook, chairman, as on behalf of the four most western counties of Pennsylvania, states, that the distance of that part of the country from a market for its produce, leads to a necessity of distilling the grain, which is raised, as a principal dependence of its inhabitants; which circumstance, and the scarcity of cash, combine to render the tax in question unequal, oppressive, and particularly distressing to them.

As to the circumstance of equality, it may safely be affirmed to be impracticable to devise a tax which shall operate with

exact equality upon every part of the community. Local and other circumstances will inevitably create disparities, more or less great.

Taxes on consumable articles have, upon the whole, better pretensions to equality than any other. If some of them fall more heavily on particular parts of the community, others of them are chiefly borne by other parts. And the result is an equalization of the burthen as far as it is attainable. Of this class of taxes it is not easy to conceive one which can operate with greater equality than a tax on distilled spirits. There appears to be no article, as far as the information of the Secretary goes, which is an object of more equal consumption throughout the United States.

In particular districts, a greater use of cider may occasion a smaller consumption of spirits; but it will not be found, on a close examination, that it makes a material difference. A greater or less use of ardent spirits, as far as it exists, seems to depend more on relative habits of sobriety or intemperance than on any other cause.

As far as habits of less moderation, in the use of distilled spirits, should produce inequality any where, it would certainly not be a reason with the Legislature either to repeal or lessen a tax, which, by rendering the article dearer, might tend to restrain too free an indulgence of such habits.

It is certainly not obvious how this tax can operate particularly unequally upon the part of the country in question. As a general rule it is a true one, that duties on articles of consumption fall on the consumers, by being added to the price of the commodity. This is illustrated, in the present instance, by facts. Previous to the law laying a duty on home-made spirits, the price of whiskey was about thirty-eight cents; it is now about fifty-six cents. Other causes may have contributed in some degree to this effect, but it is evidently to be ascribed chiefly to the duty.

Unless, therefore, the inhabitants of the counties which have been mentioned are greater consumers of spirits than those of other parts of the country, they cannot pay a greater proportion

of the tax. If they are, it is their interest to become less so. It depends on themselves, by diminishing the consumption, to restore equality.

The argument, that they are obliged to convert their grain into spirits, in order to transportation to distant markets, does not prove the point alleged. The duty on all they send to those markets will be paid by the purchasers. They will still pay only upon their own consumption.

As far as an advance is laid upon the duty, or as far as the difference of duty, between whiskey and other spirits, tends to favor a greater consumption of the latter, they, as greater manufacturers of the article, supposing this fact to be as stated, will be proportionably benefited.

The duty on home-made spirits from domestic materials, if paid by the gallon, is nine cents. From the communications which have been received, since the passing of the act, it appears that, paying the rate annexed to the capacity of the still, and using great diligence, the duty may be, in fact, reduced to six cents per gallon. Let the average be taken at seven and a half cents, which is probably higher than is really paid.

Generally speaking, then, for every gallon of whiskey which is consumed, the consumer may be supposed to pay seven and a half cents; but for every gallon of spirits, distilled from foreign materials, the consumer pays, at least, eleven cents, and for every gallon of foreign spirits, at least twenty cents. The consumer, therefore, of foreign spirits, pays nearly three times the duty, and the consumer of homemade spirits, from foreign materials, nearly fifty per cent. more duty, on the same quantity, than the consumer of spirits from domestic materials, exclusive of the greater price, in both cases, which is an additional charge upon each of the two first mentioned classes of consumers.

When it is considered that $\frac{8}{11}$ parts of the whole quantity of spirits consumed in the United States are foreign, and $\frac{7}{11}$ are of foreign materials, and that the inhabitants of the Atlantic and midland counties are the principal consumers of these more highly taxed articles, it cannot be inferred that the tax under consideration bears particularly hard on the inhabitants of the Western country.

This may serve as an exemplification of a general proposition, of material consequence, namely, that, if the former descriptions of citizens are able, from situation, to obtain more for their produce than the latter, they contribute proportionally more to the revenue. Numerous other examples, in confirmation of this, might be adduced.

As to the circumstance of scarcity of money, as far as it can be supposed to have foundation, it is as much an objection to any other tax as the one in question. The weight of the tax is not certainly such as to involve any peculiar difficulty. It is impossible to conceive that nine cents per gallon on distilled spirits, which is stating it at the highest, can, from the magnitude of the tax, distress any part of the country, which has an ability to pay taxes at all—enjoying, too, the unexampled advantage of a total exemption from taxes on houses, lands, or stock.

The population of the United States being about four millions of persons, and the quantity of spirits annually consumed between ten and eleven millions of gallons, the yearly proportion to each family, if consisting of six persons, which is a full ratio, would be about sixteen gallons, the duty upon which would be less than *one dollar and a half.* The citizen who is able to maintain a family, and who is the owner or occupier of a farm, cannot feel any inconvenience from so light a contribution; and the industrious poor, whether artisans or laborers, are usually allowed spirits, or an equivalent, in addition to their wages.

The Secretary has no evidence to satisfy his mind that a real scarcity of money will be found, on experiment, a serious impediment to the payment of the tax any where. In the quarter where this complaint has particularly prevailed, the expenditures, for the defence of the frontier, would seem, alone, sufficient to obviate it. To this, it is answered, that the contractors for the supply of the army operate with goods, and not with money. But this still tends to keep at home whatever money finds its way there. Nor is it a fact, if the information of the Secretary be not materially erroneous, that the purchases of the contractors of flour, meat, &c., are *wholly* with goods. But, if they were, the Secretary can aver, that more money has, in the course of the

last year, been sent into the Western country, from the treasury, in specie, and bank bills, which answer the same purpose, for the pay of the troops and militia, and for quartermaster's supplies, than the whole amount of the tax in the four western counties of Pennsylvania and the district of Kentucky, is likely to equal in four or five years. Similar remittances are likely to be made in future.

Hence, the Government itself furnishes, and, in all probability, will continue to furnish, the means of paying its own demands, with a surplus which will sensibly foster the industry of the parties concerned, if they avail themselves of it, under the guidance of a spirit of economy and exertion.

Whether there be no part of the United States in which the objection of want of money may truly exist, in a degree to render the payment of the duty seriously distressing to the inhabitants, the Secretary is not able to pronounce. He can only express his own doubt of the fact, and refer the matter to such information as the members of any district, so situated, may have it in their power to offer to the legislative body.

Should the case appear to exist, it would involve the necessity of a measure, in the abstract, very ineligible, that is, the receipt of the duty in the article itself.

If an alternative of this sort were to be allowed, it would be proper to make it the duty of the party paying, *to deliver the article at the place in each county*, where the office of inspection is kept, and to regulate the price according to such a standard as would induce a preference of paying in cash, except from a real impracticability of obtaining it.

In regard to the petition from the district of Kentucky, after what has been said with reference to other applications, it can only be necessary to observe, that the exemption which is sought by that petition is rendered impracticable by an express provision of the constitution, which declares that "all duties, imposts, and excises, shall be uniform throughout the United States."

In the course of the foregoing examination of the objections which have been made to the law, some alterations have been

submitted for the purpose of removing a part of them. The Secretary will now proceed to submit such further alterations as appear to him advisable, arising either from the suggestions of the officers of the revenue or from his own reflections.

1. It appears expedient to alter the distinction respecting distilleries from domestic materials in cities, towns, and villages, so as to confine it to one or more stills worked at the same distillery, the capacity or capacities of which together do not fall short of four hundred gallons.

The effectual execution of the present provisions respecting distilleries from home materials in cities, towns, and villages, would occasion an inconvenient multiplication of officers, and would, in too great a degree, exhaust the product of the duty in the expense of collection. It is also probable that the alteration suggested would also conduce to public satisfaction.

2. The present provisions concerning the entering of stills are found, by experience, not to be adequate, and, in some instances, not convenient.

It appears advisable that there shall be one office of inspection for each county, with authority to the supervisor to establish more than one, if he shall judge it necessary for the accommodation of the inhabitants; and that every distiller, or person having or keeping a still, shall be required to make entry of the same at some office of inspection for the county, within a certain determinate period in each year. It will be proper, also, to enjoin upon every person, who, residing within the county, shall procure a still, or who, removing into a county, shall bring into it a still, within twenty days after such procuring or removal, and before he or she begins to use the still, to make entry at the office of inspection. Every entry, besides describing the still, should specify in whose possession it is, and the purpose for which it is intended, as, whether for sale or for use in distilling; and in the case of a removal of the person from another place into the county, shall specify the place from which the still shall have been brought. A forfeiture of the still ought, in every case in which an entry is required, to attend an omission to enter.

This regulation, by simplifying the business of entering stills, would render it easier to comprehend and comply with what is required, would furnish the officers with a better rule for ascertaining delinquencies, and, by avoiding to them a considerable degree of unnecessary trouble, will facilitate the retaining of proper characters in the offices of collectors.

3. It is represented that difficulties have, in some instances, arisen, concerning the persons responsible for the duty. The apparent not being always the real proprietor, an opportunity for collusion is afforded; and without collusion, the uncertainty is stated as a source of embarrassment.

It also, sometimes, happens, that certain itinerant persons, without property, complying with the preliminary requisitions of the law as to entry, &c., erect and work stills for a time, and before a half yearly period of payment arrives, remove and evade the duty.

It would tend to remedy these inconveniencies, if possessors and proprietors of stills were made jointly and severally liable, and if the duty were made a *specific lien* on the still itself; if, also, the proprietor of the land upon which any still may be worked should be made answerable for the duty, except where it is worked by a lawful and bona fide tenant of the land of an estate not less than for a term of one year, or unless such proprietor can make it appear, that the possessor of the still was, during the whole time, without his privity or connivance, an intruder or trespasser on the land; and if, in the last place, any distiller, about to remove from the division in which he is, should be required, previous to such removal, to pay the tax for the year, deducting any prior payments, or give bond, with approved surety, conditioned for the payment of the full sum for which he or she should be legally accountable to the end of the year, to the collector of the division to which the removal shall be, rendering proof thereof, under the hand of the said collector, within six months after the expiration of the year.

As well with a view to the forfeiture of the stills for non-entry, as to give effect to a *specific lien* of the duty (if either or both of these provisions should be deemed eligible), it will be

necessary to enjoin it upon the officers of the revenue to identify, by proper marks, the several stills which shall have been entered with them.

4. The exemptions granted to stills of the capacity of fifty gallons and under, by the 36th section of the law, appear, from experience, to require revision.

Tending to produce inequality, as well as to frustrate the revenue, they have excited complaint. It appears, at least, advisable, that the obligation to enter, as connected with that of *paying duty*, should extend to stills of all dimensions, and that it should be enforced, in every case, by the same penalty.

5. The 28th section of the act makes provision for the seizure of spirits, unaccompanied with marks and certificates, in the cases in which they are required; but as they are required only in certain cases, and there is no method of distinguishing the spirits, in respect to which they are necessary, from those in respect to which they are not necessary, the provision becomes nugatory, because an attempt to enforce it would be oppressive. Hence, not only a great security for the due execution of the law is lost, but seizures very distressing to unoffending individuals must happen, notwithstanding great precaution to avoid them.

It would be, in the opinion of the Secretary, of great importance to provide, that all spirits whatsoever, in casks or vessels of the capacity of twenty gallons and upwards, should be marked and certified, on pain of seizure and forfeiture, making it the duty of the officers to furnish the requisite certificates *gratis*, to distillers and dealers, in all cases in which the law shall have been complied with.

In those cases in which an occasional recurrence to the officers for certificates might be inconvenient, blanks may be furnished, to be accounted for. And it may be left to the parties themselves, in the like cases, to mark their own casks or vessels in some simple manner, to be defined in the law. These cases may be designated generally. They will principally relate to dealers, who, in the course of their business, draw off spirits from larger to smaller casks, and to distillers, who pay according to the capacities of their stills.

As a part of a regulation of this sort, it will be necessary to require, that, within a certain period, sufficiently long to admit of time to know and comply with the provision, entry shall be made, by all dealers and distillers, of all spirits in their respective possessions, which shall not have been previously marked and certified, according to law, in order that they may be marked and certified as old stock.

The regulations here proposed, though productive of some trouble and inconvenience in the outset, will be, afterwards, a security both to individuals and to the revenue.

6. At present, spirits may not be imported from abroad in casks of less capacity than fifty gallons. The size of these casks is smaller than is desirable, so far as the security of the revenue is concerned, and there has not occurred any good objection to confining the importation to larger casks, that is to say, to casks of not less than ninety gallons. Certainly, as far as respects rum from the West Indies, it may be done without inconvenience, being conformable to the general course of business. The result of examination is, that the exception as to this particular, in favor of gin, may be abolished. Should any alteration on this subject take place, it ought not to begin to operate till after the expiration of the year.

7. There is ground to suppose, that the allowance of drawback, without any limitation as to quantity, has been abused. It is submitted that none be made on any less quantity than one hundred and fifty gallons.

8. There is danger that facility may be given to illicit importations, by making use of casks which have been once regularly marked, and the certificates which have been issued with them, to cover other spirits than those originally contained in such casks. Appearances which countenance suspicion, on this point, have been the subjects of representation from several quarters.

The danger may be obviated by prohibiting the importation in such marked casks, on pain of forfeiture both of the spirits and of any ship or vessel in which they may be brought. A prohibition of this sort does not appear liable to any good objection.

9. The duty of sixty cents per gallon of the capacity of a still was founded upon a computation that a still of any given dimensions, worked *four* months in the year, which is the usual period of country distillation, would yield a quantity of spirits, which, at the rate of nine cents per gallon, would correspond with sixty cents per gallon of the capacity of the still. It will deserve consideration, whether it will not be expedient to give an option to country distillers, at the annual entry of their stills, to take out a license for any portion of the year, which they may respectively think fit, and to pay at the rate of twelve and a half cents per gallon of the capacity, per month, during such period. This to stand in lieu of the alternative of paying by the gallon distilled; it would obviate in this case the necessity of accounting upon oath, and would leave it in the power of each distiller to cover the precise time he meant to work his still with a license, and to pay for that time only. A strict prohibition to distil at any other time than that for which the license was given would be of course necessary to accompany the regulation as far as regarded any such licensed distiller.

The only remaining points which have occurred, as proper to be submitted to the consideration of the Legislature, respect the officers of the revenue.

It is represented that, in some instances, from the ill humor of individuals, the officers have experienced much embarrassment, in respect to the filling of stills with water, to ascertain their capacity, which, upon examination, is found the most simple and practicable mode. The proprietors have, in some instances, not only refused to aid the officers, but have even put out of their way the means by which the filling might be conveniently accomplished.

It would conduce to the easy execution of the law, and to the very important purpose of retaining and procuring respectable characters as collectors, if the proprietors and possessors of stills were required to aid them in the execution of this part of their duty, or to pay a certain sum as a compensation for the doing of it.

The limits assigned in the law, respecting compensations, are found in practice essentially inadequate to the object.

This is so far the case, that it becomes the duty of the Secretary to state, that greater latitude in this particular, is *indispensable to the effectual execution of the law.*

In the most productive divisions, the commissions of the collectors afford but a moderate compensation. In the greatest part of them, the compensation is glaringly disproportioned to the service; in many of them, it falls materially short of the expense of the officer.

It is believed that, in no country whatever, has the collection of a similar duty been effected within the limit assigned. Applying in the United States to a *single* article only, and yielding consequently a less total product than where many articles are comprehended, the expense of collection must of necessity be proportionally greater.

It appears to the Secretary, that seven and a half per cent. of the total product of the duties on distilled spirits, foreign as well as domestic, and not less, will suffice to defray the compensations to officers, and other expenses incidental to the collection of the duty. This is to be understood as supplemental to the present custom house expenses.

It is unnecessary to urge to the House of Representatives, how essential it must be to the execution of the law, in a manner effectual to the purposes of the Government, and satisfactory to the community, to secure, by competent, though moderate rewards, the *diligent services* of respectable and trustworthy characters.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

ADDITIONAL SUPPLIES FOR 1792.

Communicated to the House of Representatives, March 17, 1792.

TREASURY DEPARTMENT, March 16, 1792.

The Secretary of the Treasury, pursuant to a resolution of the House of Representatives, of the 8th instant, directing the said Secretary to report to the House his opinion of the best mode of raising the additional supplies, requisite for the ensuing year, respectfully submits the following report:

The sum which is estimated to be necessary for carrying into effect the purposes of the act for making further and more effectual provision for the protection of the frontiers of the United States, beyond the provision made by the act making appropriations for the support of Government, for the year 1792, is $675,950 08.

The returns which have been received at the treasury, subsequent to the Secretary's report of the 23d of January last, among which are those of some principal ports, afford satisfactory ground of assurance that the quarter, ending the last of December, was considerably more productive than it was supposed likely to prove, authorizing a reliance that the revenues, to the end of the year 1791, will yield a surplus of $150,000, which may be applied, in part, of the sum of $675,950 08 cents, above stated to be necessary.

Provision remains to be made for the residue of this sum, namely, $525,950 08 cents.

Three expedients occur to the option of the Government, for providing this sum.

One, to dispose of the interest to which the United States are entitled in the Bank of the United States. This, at the present market price of bank stock, would yield a clear gain to the Government, much more than adequate to the sum required.

Another, to borrow the money upon an establishment of

funds, either merely commensurate with the interest to be paid, or affording a surplus which will discharge the principal by instalments within a short term.

The third is, to raise the amount by taxes.

The first of these three expedients appears to the Secretary altogether unadvisable.

First. It is his present opinion that it will be found, in various respects, permanently the interest of the United States to retain the interest to which they are entitled in the bank. But,

Secondly. If this opinion should not be well founded, it would be improvident to dispose of it, at the present juncture, since, upon a comprehensive view of the subject, it can hardly admit of a doubt, that its future value, at a period not very distant, will be considerably greater than its present; while the government will enjoy the benefit of whatever dividends shall be declared in the interval. And,

Thirdly. Whether it shall be deemed proper to retain or dispose of this interest, the most useful application of the proceeds will be as a fund for extinguishing the public debt. A necessity of applying it to any different object, if it should be found to exist, would be matter of serious regret.

The second expedient would, in the judgment of the Secretary, be preferable to the first.

For this, the following reason, if there were no other, is presumed to be conclusive, namely, that the probable increase of the value of the stock may itself be estimated as a considerable, if not a sufficient fund for the repayment of the sum which might be borrowed.

If the measure of a loan should be thought eligible, it is submitted, as most advisable, to accompany it with a provision sufficient not only to pay the interest, but to discharge the principal within a short period. This will, at least, mitigate the inconvenience of making an addition to the public debt.

But the result of mature reflection is, in the mind of the Secretary, a strong conviction that the last of the three expedients which have been mentioned, is to be preferred to either of the other two.

Nothing can more interest the national credit and prosperity, than a constant and systematic attention to husband all the means previously possessed, for extinguishing the present debt, and to avoid, as much as possible, the incurring of any new debt.

Necessity alone, therefore, can justify the application of any of the public property, other than the annual revenues, to the current service, or to the temporary and casual exigencies of the country, or the contracting of an additional debt, by loans, to provide for those exigencies.

Great emergencies, indeed, might exist, in which loans would be indispensable. But the occasions which will justify them, must be, truly, of that description.

The present is not of such a nature. The sum to be provided is not of magnitude enough to furnish the plea of necessity.

Taxes are never welcome to a community. They seldom fail to excite uneasy sensations, more or less extensive. Hence, a too strong propensity in the governments of nations to anticipate and mortgage the resources of posterity, rather than encounter the inconveniences of an increase of taxes.

But, this policy, when not dictated by very peculiar circumstances, is of the worst kind. Its obvious tendency is, by enhancing the permanent burthens of the people, to produce lasting distress, and its natural issue is in national bankruptcy.

It will be happy if the councils of this country, sanctioned by the voice of an enlightened community, shall be able to pursue a different course.

Yielding to this impression, the Secretary proceeds to state, for the consideration of the House, the objects which have occurred to him as most proper to be resorted to, for raising the requisite sum by taxes.

From the most careful view which he is able to take of all the circumstances that, at the present juncture, naturally enter into consideration, he is led to conclude, that the most eligible mode in which the necessary provision can, at this time, be made, is, by some additional duties on imported articles.

This conclusion is made with reluctance, for reasons which

were noticed upon a former occasion, and from the reflection that frequent and unexpected alterations in the rates of duties on the objects of trade, by inducing uncertainty in mercantile speculations and calculations, are, really, injurious to commerce, and hurtful to the interests of those who carry it on.

The stability of the duties to be paid by the merchants, is, in fact, of more consequence to them than their quantum, if within reasonable bounds.

It were, therefore, much to have been wished, that so early a resort to new demands, on that class of citizens, could have been avoided, and, especially, that they could have been deferred until a general tariff could have been maturely digested, upon principles which might, with propriety, render it essentially stationary.

But, while there are these motives to regret, there are others of a consoling tendency, some of which indicate that an augmentation of duties, at the present juncture, may have the effect of lessening some public evils, and producing some public benefits.

It is a pleasing fact, if the information of the Secretary be not very erroneous, that the improved state of the credit of this country enables our merchants to procure the supplies which they import from abroad, upon much more cheap and advantageous terms than heretofore; a circumstance which must alleviate to them the pressure of somewhat higher rates of duty, and must contribute, at the same time, to reconcile them to burthens, which, being connected with an efficacious discharge of the duty of the Government, are of a nature to give solidity and permanency to the advantages they enjoy under it.

It is certain, also, that a spirit of manufacturing prevails at this time, in a greater degree than it has done at any antecedent period; and, as far as an increase of duties shall tend to second and aid this spirit, they will serve to promote essentially the industry, the wealth, the strength, the independence, and the substantial prosperity of the country.

The returns for a year, ending with the thirtieth of September last, an abstract of which is in preparation to be communicated to the Legislature, evince a much increased importa-

tion, during that year, greater far than can be referred to a naturally increasing demand, from the progress of population, and announce a probability of a more than proportional increase of consumption; there being no appearance of an extraordinary abundance of goods in the market. If, happily, an extension of the duties shall operate as a restraint upon excessive consumption, it will be a salutary mean of preserving the community from future embarrassment, public and private. But, if this should not be the case, it is at least prudent in the Government to extract from it the resources necessary for current exigencies, rather than postpone the burthen to a period when that very circumstance may cause it to be more grievously felt.

These different considerations unite with others, which will suggest themselves, to induce, in the present state of things, a preference of taxes on imported articles to any other mode of raising the sum required.

It is, therefore, respectfully submitted, that the existing duties on the articles hereafter enumerated, be repealed, and that, in place of them, the following be laid, viz:

WINES.

			CENTS.
Madeira, of the quality of London particular,	per	gallon,	56
Ditto - - - London market,	per	do.	49
Other Madeira wine, - - - -	per	do.	40
Sherry, - - - - - - -	per	do.	33
St. Lucar, - - - - - -	per	do.	30
Lisbon, - - - - - -	per	do.	25
Oporto, - - - - - -	per	do.	25
Teneriffe and Fayal, - - - -	per	do.	20

All other wines, 40 per centum ad valorem.

SPIRITS.

			CENTS.
Those distilled wholly or chiefly from grain.			
Of the first class of proof, - - -	per	gallon,	28

		CENTS.
Of the second class of proof, - - -	per gallon,	29
Of the third do. - - -	per do.	31
Of the fourth do. - - -	per do.	34
Of the fifth do. - - -	per do.	40
Of the sixth do. - - -	per do.	50

OTHER DISTILLED SPIRITS.

Of the second class of proof, and under,	per gallon,	24
Of the third do. - - - -	per do.	27
Of the fourth do. - - - -	per do.	31
Of the fifth do. - - - -	per do.	37
Of the sixth do. - - - -	per do.	45
Beer, ale, and porter, - - - -	per gallon,	8
Steel, - - - - - - -	per cwt.	100
Nails, - - - - - - -	per lb.	2
Cocoa, - - - - - - -	per do.	2
Chocolate, - - - - - - -	per do.	3
Playing cards, - - - - -	per pack,	25
Shoes and slippers of silk, - - - - - - -		20
Shoes and slippers of stained or colored leather (other than black), for men and women, - - - -		10
Ditto do. for children, - - - - - -		7
All other shoes and slippers (for men and women), clogs and golo shoes, - - - - - - -		10
All other shoes and slippers for children, - - -		7

ARTICLES AD VALOREM.

15 per cent. ad valorem:—

China wares,

Looking-glass, window, and other glass, and all manufacturies of glass, black quart bottles excepted.

Muskets.

Pistols.

Swords, cutlasses, hangers, and other fire and side arms.
Starch.
Hair powder.
Wafers.
Glue.

10 per cent. ad valorem:—
Cast, slit, and rolled iron, and generally all manufactures of iron, steel, tin, pewter, copper, brass, or of which either of these metals is the article of chief value (not being otherwise particularly enumerated).
Cabinet wares.
Leather, tanned and tawed, and all manufactures of leather, or of which leather is the article of chief value (not being otherwise particularly enumerated).
Medicinal drugs, except those commonly used in dying.
Hats, caps, and bonnets, of every sort.
Gloves and mittens.
Stockings.
Millinery, ready-made.
Artificial flowers, feathers, and other ornaments for women's head dresses.
Fans.
Dolls, dressed and undressed.
Toys.
Buttons of every kind.
Carpets and carpeting, mats and floor cloths.
Sail cloth.
Sheathing and cartridge paper.
All powders, pastes, balls, balsams, ointments, oils, waters, washes, tinctures, essences, liquors, or other preparation or composition, commonly called sweet-scents, odors, perfumes, or cosmetics.
All dentifrice, powders, tinctures, preparations, or compositions, whatsoever, for the teeth or gums.
Printed books, except those specially imported for a college, academy, or other public or incorporated seminary

of learning, or institution, which shall be wholly exempted from duty.

The foregoing duties to be permanently established, and to be appropriated, in the first place, to the payment of the interest of the public debt; in the second, to such other grants and appropriations, as have been, heretofore, made; and in the third, to the purposes of the act for making further and more effectual provision for the protection of the frontiers of the United States.

An addition of two and a half per cent. ad valorem to be made to the duty on all goods, heretofore rated at five per centum ad valorem.

This addition to be temporary, and accordingly to be so established as that it shall not continue longer than till the present Indian war shall terminate, and the expenses of carrying it on shall have been defrayed, which will of course include the reimbursement of any sums that may have been borrowed by way of anticipation of the product of the duties.

It is represented that the present duty on salt operates unequally, from the considerable difference in weight, in proportion to quantity, of different kinds of salt; a bushel weighing from about 56 to upwards of 80 weight. It would have an equalizing effect, if the bushel were defined by weight; and if 56 pounds were taken as the standard, a valuable accession to the revenue would result.

This regulation is, therefore, submitted as a resource upon the present occasion. The rate of duty to remain as it is.

It will be a reasonable accommodation to trade, if it is made a part of this arrangement, to extend the credit for the duty on salt to a longer term. It is an article, which, from the circumstances of its importation, frequently lies on hand for a considerable time; and in relation to the fisheries, is usually sold upon a credit of several months.

Some remarks may be proper in regard to the proposed duties. Those on spirits and wines may appear high. They are, doubtless, considerable. But there are precedents, elsewhere, of much higher duties on the same articles. And it is certainly, in

every view, justifiable to make a free use of them for the purpose of revenue.

Wines, generally speaking, are the luxury of classes of the community, who can afford to pay a considerable duty upon them.

It has appeared advisable to adhere to the idea of a specific duty per quantity, on all the species of wines in most common consumption in the country, and those most susceptible of precise designation, as affording greatest certainty to the revenue; and to adopt a general ad valorem rate for other kinds, proportioned to the specific duties. This rate is 40 per cent.

The distinction has proceeded from the difficulty of a precise enumeration of all the other kinds of wine, which are, and may be, imported, and of such an adjustment of specific rates, as will bear some reasonable proportion to the value of the article. The present lowest rate of duty on wines amounts to 200 and 300 per cent. on the value of certain kinds, which may be considered as equivalent to a prohibition.

While, therefore, ideas of proportion will be better consulted than heretofore, by the proposed arrangement, it is probable that the revenue will be benefited, rather than injured, by a reduction of the duties on low priced wines.

The considerations which render ardent spirits a proper object of high duties, have been repeatedly dwelt upon. It may be added, that it is a familiar, and a just remark, that the peculiarly low price of ardent spirits, in this country, is a great source of intemperance.

To bring the price of the article more nearly to a level with the price of it in other markets, by an increase of duty, while it will contribute to the advancement of the revenue, cannot but prove, in other respects, a public benefit.

The rates proposed will be still moderate, compared with examples in other countries; and the article is of a nature to enable the importer, without difficulty, to transfer the duty to the consumer.

A discrimination is suggested in respect to duties on spirits distilled from grain. To this, there have been two inducements;

one, that the difference in the duty is conformable to the difference between the cost of the grain spirits usually imported, and that of West India rum. Another, that it is in a particular manner the interest of the United States to favor the distillation of its own grain, in competition with foreign spirits from the same material. In the second division of spirits, the first class of proof is dropped, because none of it comes from the West Indies, and because any other spirits, usually imported, which may be of so low a proof, are higher priced, even than some of the higher proofs of West India spirits. The dropping of that class of proof, therefore, in this case, is favorable to the revenue, and favorable to equality.

Several of the other specific duties which are proposed, besides the inducements to them as items of revenue, are strongly recommended by considerations which have been stated in the report of the Secretary, on the subject of manufactures. The same report states inducements to a 15 per cent. duty on some of the articles which are mentioned, as proper to be comprised under that rate.

With regard to china and glass, there are two weighty reasons for a comparatively high duty upon them. The use of them is very limited, except by the wealthier classes; and both their bulk, and liability to damage in transportation, are great securities against evasions of the revenue. It will, however, merit consideration, whether, for the accommodation of importers, a longer term of credit ought not to be allowed on these articles.

A duty of two cents per pound on cocoa is less, in proportion to the value, than the present duty on coffee. As an extensive article of consumption, it is a productive one of revenue.

The duty on playing cards can give rise to no question except as to the practicability of a safe collection. In order to this, it will be proper to superadd certain precautions, which will readily occur in regulating the details of a bill for the purpose. A similar attention will be requisite in regard to the duties on wines. The employment of marks and certificates may advantageously be extended to this article.

The rate of 10 per centum ad valorem, it is hoped, will not be deemed immoderate in relation to the articles to which it is proposed to apply it. It is difficult to assign rules for what ought to be considered as a just standard. But, after the best consideration which the Secretary has been able to bestow upon it, he cannot discover that any real inconvenience is likely, permanently, to result from the extension of that rate to the cases proposed.

The addition of 2½ per cent. to the duty on the mass of articles now rated at five, will constitute an important, though not an excessive augmentation. Nevertheless, it is proposed that it shall be only temporary; and there is reasonable ground of expectation, that the cause for having recourse to it will not be of very long continuance.

It will not have escaped the observation of the House, that the duties which were suggested in the Secretary's report on that subject, as encouragements to manufactures, are, for the most part, included among the objects of this report.

It may tend to avoid future embarrassment, if such abolitions and drawbacks as shall be deemed expedient, with a view to promoting manufactures, shall accompany the establishment and appropriation of whatever further duties may be laid, for the object in contemplation. And it may be found convenient to qualify the appropriation of the surplus which is to be applied to that object, so as to let in such other appropriations, during the session, as occurrences may suggest.

An estimate of the additional revenue which may be expected from the proposed duties is subjoined.

It will occur to the House, that the credit allowed for the duties will require an anticipation of their product by a temporary loan, for which provision in the law will be requisite.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

REMISSION OF DUTIES.

Communicated to the House of Representatives, April 20, 1792.

TREASURY DEPARTMENT, April 19, 1792.

The Secretary of the Treasury, to whom was referred the memorial of Eliphalet Ladd, respectfully makes the following report thereupon:

It has been made a question, whether under the laws of the United States, as they now stand, duties are payable on goods imported in vessels which have suffered shipwreck in the act of transportation. A suit, in which this question is involved, is depending in one of the courts of the United States.

But the terms of the law have rendered it the duty of the officers of the customs to advance the claim, which has been done on all the occasions that have hitherto occurred.

The casualty of shipwreck is so affecting a calamity, and is usually attended with such considerable loss to the concerned, that the exacting from the sufferers the public dues on the articles which escape, is apt to be regarded as partaking of severity and oppression.

The provision for the case of damaged goods is not, always, a sufficient remedy. It may happen that the goods saved are not damaged, though a large proportion may have been entirely lost.

It would seem, upon the whole, expedient, either entirely to remit the duties in every case of shipwreck, or to vest somewhere a power, either to remit, or abate, according to the circumstances of each case.

The last would best consist with a due apportionment of the degree of relief to the degree of suffering. From the rareness of the casualty, the loss to the revenue, from either arrangement, could not be very material.

The case stated in the petition appears to be a strong one for relief.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

SPIRITS, FOREIGN AND DOMESTIC.

Communicated to Congress, Nov. 22, 1792.

Arrangement made by the President of the United States, pursuant to an Act of Congress, passed the third day of March, 1791, entitled, "An Act repealing," &c. Title supra, p. 171.

PUBLIC DEBT.

Communicated to the House of Representatives, December 3, 1792.

TREASURY DEPARTMENT, November 30, 1792.

In obedience to two resolutions of the House of Representatives, one of the 21st instant, directing the Secretary of the Treasury to report a plan for the redemption of so much of the Public Debt as, by the act, entitled "An act making provision for the debt of the United States," the United States have reserved the right to redeem; the other of the 22d instant, directing him to report the plan of a provision for the reimbursement of a loan, made of the Bank of the United States, pursuant to the 11th section of the act, entitled "An act to incorporate the subscribers to the Bank of the United States;" the said Secretary respectfully submits the following report:

The expediency of taking measures for the regular redemp-

tion of the public debt, according to the right which has been reserved to the Government, being wisely predetermined, by the resolution of the House of Representatives, referring the subject to the Secretary, nothing remains for him, but to endeavor to select and submit the most eligible means of providing for the execution of that important object.

With this view, the first inquiry which naturally presents itself is, whether the existing revenues are, or are not, adequate to the purpose?

The estimates which accompany the report of the Secretary, of the 14th instant, will show that, during the continuance of the present Indian war, the appropriations for interest, and the demands for the current service, are likely to exhaust the product of the existing revenues; though they afford a valuable surplus beyond the permanent objects of expenditure, which, it is hoped, may, ere long, be advantageously applied to accelerate the extinguishment of the debt.

In the mean time, however, and until the restoration of peace, the employment of that resource, in this way, must, of necessity, be suspended, and either the business of redemption must be deferred, or recourse must be had to other expedients.

But, did no such temporary necessity, for resorting to other expedients, exist, the doing of it would still be recommended by weighty considerations. It would appear, in the abstract, advisable to leave the surplus of the present revenues free, to be applied to such casual exigencies as may, from time to time, occur; to occasional purchases of the debt, when not exhausted by such exigencies; to the payment of interest on any balances which may be found due to particular States, upon the general settlement of accounts; and finally, to the payment of interest on the deferred part of the debt, when the period for such payment arrives. There is a reasonable prospect that, if not diverted, it will be found adequate to the two last important purposes.

Relinquishing, then, the idea of an immediate application of the present revenues to the object in view, it remains to examine what other modes are in the option of the Legislature.

Loans, from time to time, equal to the sums annually re-

deemable, and bottomed on the same revenues, which are now appropriated to pay the interest upon those sums, offer themselves as one expedient, which may be employed with a degree of advantage. As there is a probability of borrowing at a lower rate of interest, a material saving would result; and even this resource, if none better could be devised, ought not to be neglected.

But it is obvious that, to rely upon this resource alone, would be to do little towards the final exoneration of the nation. To stop at that point would, consequently, be neither provident nor satisfactory. The interests as well as the expectations of the Union require something more effectual.

The establishment of additional revenues is the remaining resource. This, if the business is to be undertaken in earnest, is unavoidable. And a full confidence may reasonably be entertained, that the community will see, with satisfaction, the employment of those means which alone can be effectual, for accomplishing an end, in itself so important, and so much an object of general desire. It cannot fail to be universally felt, that, if the end is to be attained, the necessary means must be employed.

It can only be expected that care be taken to choose such as are liable to fewest objections, and that, in the modifications of the business in other respects, due regard be had to the present and progressive circumstances of the country.

Assuming it as the basis of a plan of redemption, that additional revenues are to be provided, the further inquiry divides itself into the following branches:

1. Shall a revenue be immediately constituted, equal to the full sum which may at present be redeemed, according to the terms of the contract?

2. Shall a revenue be constituted, from year to year, equal only to the interest of the sum to be redeemed in each year, coupling with this operation an annual loan, commensurate with such sum? Or,

3. Shall a revenue be constituted each year, so much exceeding the interest of the sum to be redeemed, as to be sufficient,

within a short definite term of time, to discharge the principal itself; coupling with this operation also, an annual loan, equal to the sum to be annually redeemed, and appropriating the revenue created to its discharge, within the term which shall have been predetermined?

The first plan, besides being completely effectual, would be eventually most economical; but considering to what a magnitude the revenues of the United States have grown in a short period, it is not easy to pronounce how far the faculty of paying might not be strained by any sudden considerable augmentation, wheresoever immediately placed; while the rapid progress of the country in population and resource seems to afford a moral certainty, that the necessary augmentation may be made with convenience, by successive steps, within a moderate term of time, and invites to temporary and partial suspensions, as capable of conciliating the reasonable accommodation of the community with the vigorous prosecution of the main design. For these, and for other reasons which will readily occur, the course of providing immediately the entire sum to be redeemed, is conceived *not* to be the most eligible.

The second plan, though much more efficacious than that of annual loans, bottomed on the revenues now appropriated for the payment of interest on the sums to be redeemed, does not appear to be sufficiently efficacious. The schedule A will show the effect of it to the 1st of January, 1802, when the deferred debt will become redeemable in the proportions stipulated. Supposing the investment of the interest which is, each year, liberated, together with that which has been, and will be released by purchases, pursuant to provisions heretofore made, in the purchase of 6 per cent. stock; a sum of principal, equal to 2,043,837 dollars and 7 cents would be sunk, and a clear annuity, equal to 459,212 dollars and 82 cents would be created, towards further redemptions; but the fund then necessary for the future progressive redemption of the debt, according to the right reserved, would be 1,126,616 dollars and 44 cents, exceeding by 667,403 dollars and 62 cents, the amount of the redeeming fund. Something more effectual than this is certainly desirable, and appears to be practicable.

The last of the three plans best accords with the most accurate view which the Secretary has been able to take of the public interest.

In its application, it is of material consequence to endeavor to accomplish these two points: 1st. The complete discharge of the sums annually redeemable, within the period prefixed, and the reimbursement, within the same period, of all auxiliary loans, which may have been made for that purpose. 2ndly. The constituting, by the expiration of that period, a clear annual fund, competent to the future redemption of the debt, to the extent of the right reserved.

The period to which it is conceived the plan ought to refer, is the first day of January, 1802; because *then* the first payment, on account of the principal of the deferred debt, may rightfully be made.

In conformity to these ideas, the following plan is most respectfully submitted; premising, that the sum redeemable for the first year, of the six per cent. stock, bearing a present interest, is computed at 550,000 dollars.

Let an annual fund be constituted, during the present session, equal to 103,199 dollars and six cents, to begin to accrue from the first of January, 1793. Let the sum of 550,000 dollars be borrowed upon the credit of this annuity, reimbursable within five years, that is, by the first of January, 1799. The sum borrowed to be applied, on the first of January, 1794, to the first payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the first of January, 1799, and will, thenceforth, be free for any further application.

The sum redeemable the second year, that is, on the first of January, 1795, is computed at 583,000 dollars.

Let an annual fund be constituted, during the second session after the present, equal to 109,391 dollars and 60 cents, to begin to accrue from the first of January, 1794. Let the sum of 583,000 dollars be borrowed upon the credit of this annuity, reimbursable within five years, that is, by first of January, 1800. The sum borrowed to be applied, on the first of January,

1795, to the second payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the first of January, 1800, and will be, thenceforth, free for any further application.

The sum redeemable the third year, that is, on the first of January, 1796, is computed at 617,980 dollars.

Let an annual fund be constituted, during the third session after the present, equal to 115,955 dollars and 17 cents, to begin to accrue from the first of January, 1795. Let the sum of 617,980 dollars be borrowed upon the credit of this annuity, reimbursable within five years, that is, by the first of January, 1801. The sum borrowed to be applied, on the first of January, 1796, to the third payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the first of January, 1801.

The sum redeemable the fourth year, that is, on the first of January, 1797, is computed at 655,058 dollars and 80 cents.

Let an annual fund be constituted, during the fourth session after the present, equal to 122,912 dollars and 48 cents, to begin to accrue from the first of January, 1796. Let the sum of 655,058 dollars and 80 cents be borrowed upon the credit of this annuity, reimbursable within five years, that is, by the first of January, 1802. The sum borrowed to be applied on the first of January, 1797, to the fourth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the first of January, 1802.

The sum redeemable the fifth year, that is, on the first of January, 1798, is computed at 694,362 dollars and 33 cents.

Let an annual fund be constituted, during the fifth session after the present, equal to 152,743 dollars and 12 cents, to begin to accrue from the first of January, 1797. Let the sum of 694,362 dollars and 33 cents be borrowed upon the credit of this annuity, reimbursable within four years, that is, by the first of January, 1802. The sum borrowed to be applied on the first of

January, 1798, to the fifth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the first of January, 1802.

The sum redeemable the sixth year, that is, on the first of January, 1799, is computed at 736,024 dollars and 7 cents.

Let an annual fund be constituted, during the sixth session after the present, equal to 197,680 dollars and 20 cents, to begin to accrue from the first of January, 1798. Let the sum of 736,024 dollars and 7 cents be borrowed upon the credit of this annuity, reimbursable within three years, that is, by the first of January, 1802. The sum borrowed to be applied, on the first of January, 1799, to the sixth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the 1st of January, 1802.

The sum redeemable the seventh year, that is, on the 1st of January, 1800, is computed at 780,185 dollars and 52 cents.

Let an annual fund be constituted, during the seventh session after the present, equal to 272,848 dollars and 38 cents, to begin to accrue from the 1st of January, 1799. Let the sum of 780,185 dollars and 52 cents be borrowed upon the credit of this annuity, reimbursable within two years, that is, by the 1st of January, 1802. The sum borrowed to be applied, on the first of January, 1800, to the seventh payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, by the 1st of January, 1802.

The sum redeemable the eighth year, that is, on the 1st of January, 1801, is computed at 826,996 dollars and 65 cents.

Let an annual fund be constituted, during the eighth session after the present, equal to 423,583 dollars and 54 cents, to begin to accrue from the 1st of January, 1800. Let the sum of 826,996 dollars and 65 cents borrowed upon the credit of this annuity, reimbursable within one year, that is, on the 1st of January, 1802. The sum borrowed to be applied, on the 1st of January, 1801, to the eighth payment on account of the principal of the debt.

The proposed annuity will reimburse the sum borrowed, with interest, on the 1st of January, 1802.

The sum redeemable the ninth year, that is, on the 1st of January, 1802, is computed at 1,126,616 dollars and 44 cents.

The then existing means for the discharge of this sum, arising from the operation of the plan, will be:

1st. The amount of the annuity constituted the third year, which will have been liberated by reimbursement of the third loan. 2d. The arrears of interest not previously appropriated, and which are computed at 200,000 dollars.

There will consequently be a deficiency this year, of 810,661 dollars and 27 cents, which will require to be supplied by a temporary loan, to be reimbursed out of the surplus of the fund, which, on the 1st of January, 1802, will exist for future redemptions, and which surplus will be sufficient to reimburse this temporary loan, in about thirteen years and a half.

It may be proper to remark, that this deficiency upon one year is suffered to exist, to avoid an unnecessary augmentation of revenue, materially beyond the sum permanently requisite. No inconvenience ensues, because this temporary deficiency is made up by the surplus of the permanent fund, within the period mentioned. And that fund, from the 1st of January, 1802, is adequate to all future redemptions, in the full proportion permitted by the contract.

The table in the schedule B, herewith submitted, will show, in one view, the principles and operation of this plan.

The schedule C will exhibit the means of constituting the several annuities proposed to be established. From it will be seen, that the proposed annuities are to be composed, partly of taxes, to be successively laid, at the respective periods of creating them, partly of the surplus dividend to be expected on the stock belonging to the Government, in the Bank of the United States, beyond the interest to be paid on account of it, and, partly, of the funds heretofore pledged for the payment of interest, which will have been liberated upon so much of the debt as will have been extinguished.

The respective amounts of the taxes to be severally laid, will be,

In the first year, - - - -	$43,199 06
In the second year, - - - -	109,391 60
In the third year, - - - -	115,955 17
In the fourth year, - - - -	102,912 48
In the fifth year, - - - -	102,743 12
In the sixth year, - - - -	107,680 20
In the seventh year, - - - -	109,649 32
Making together - -	$691,530 95

The sum which will have been redeemed *prior* to the 1st day of January, 1802, will be $5,443,607 37. The sum redeemable on the 1st of January, 1802, will be $1,126,616 44; and the fund which will, thenceforth, exist for the purpose of future redemption (as is particularly shown by the schedule D), will be $1,210,744 34, exceeding the sum strictly necessary by $84,127 90—a fund which, including the interest, from year to year liberated, will, as already intimated, be completely adequate to the final redemption of the whole amount of the six per cent. stock (as well the deferred as that bearing a present interest), according to the right which has been reserved for that purpose.

In the mean time, a further impression will be made upon the debt, by the investment of the residue of the funds heretofore established, in the purchase of it; and it is hoped, that the restoration of peace with the Indians will enable the application of the surplus of the existing revenues, together with the proceeds of the ceded lands in our Western territory, to the same object. These, whenever they can be brought into action, will be important aids, materially accelerating the ultimate redemption of the entire debt. The employment of these resources, when it can be done, by increasing the interest fund, will, proportionably, lessen the necessity of using the resource of taxation, for creating the proposed annuities—if the Government shall judge it advisable to avail itself of the substitute which may accrue from that circumstance.

Having now given a general view of the plan which has appeared, upon the whole, the most eligible, it is necessary, in the next place, to present to the consideration of the House the requisite funds for commencing the execution of it. These will embrace a provision for the first annuity only, that alone requiring, by the plan, immediate provision. With regard to a provision for the subsequent annuities, which is proposed to be successive, the Secretary will content himself with this general observation, that he discerns no intrinsic difficulty in making provision for them, as fast as shall be necessary, with due convenience to the people, and consistently with the idea of abstaining from taxing lands and buildings (with the stock and implements of farms), reserving them as a resource for those great emergencies which call for a full exertion of all the contributive faculties of a country.

The following means, for constituting the first annuity, are respectfully submitted, viz:

Annual surplus of the dividend on the stock of Government in the Bank of the United States, beyond the interest to be paid out of the said dividend, estimated at $60,000.

Tax on horses, kept or used for the purpose of riding, or of drawing any coach, chariot, phaeton, chaise, chair, sulky, or other carriage for *conveyance of persons*, excepting and exempting all horses which are *usually* and *chiefly* employed for the purposes of husbandry, or in drawing wagons, wains, drays, carts, or other carriages, for the transportation of produce, goods, merchandise, and commodities, or in carrying burthens in the course of the trade or occupation of the persons to whom they respectively belong, and the horses of persons in the military service of the United States, viz:

For every horse, not above excepted and exempted, at the rate of one dollar per annum where only one is used or kept by the same person, with an addition of fifty cents per annum per horse, where more than one, and not more than two, horses are kept or used by the same person; with an addition of one dollar per annum per horse, where more than two, and not more than four, are kept or used by the same person; and, with an addition of

one dollar and a half dollar per horse, per annum, where more than four are kept or used by the same person. Provided, That this addition shall not be made, in respect to horses usually employed in public stages, for the conveyance of passengers.

This progressive increase of rates on the higher numbers, has reference to the presumption of greater wealth, which arises from the possession of such higher numbers.

The product of this tax will, probably, be about equal to the residue of the proposed annuity, which is $43,199 06. How near the truth this estimate may prove, experiment alone can, in so untried a case, decide. An aid to this fund may be derived from the surplus dividend on the bank stock, for the half year ending the last of December next, which, it is presumed, will be not less than $20,000. Should a deficiency appear, upon trial, it can be supplied by a future provision.

Proper regulations for the collection of this tax will, it is believed, be found not difficult, if the tax itself shall be deemed eligible. Its simplicity has been a considerable recommendation of it. Qualified as it is, it is not likely to fall on any but such who can afford to pay it. The exemption from the tax, in regard to horses which are appropriated to the purposes of *husbandry*, or of any trade or occupation, or to the transportation of commodities, seems to obviate all reasonable objection.

If, however, there should appear to the Legislature, reasons for preferring a tax on carriages for pleasure, which, it may be observed, will operate on nearly the same description of persons, the sum required may, it is believed, be produced from the following arrangements of rates, viz: Upon every coach, the annual sum of four dollars. Upon every chariot, the annual sum of three dollars. Upon every other carriage *for the conveyance of persons*, having four wheels, the annual sum of two dollars; and, upon every chair, sulky, or other carriage *for the conveyance of persons*, having less than four wheels, the annual sum of one dollar.

The collection of this tax will be as simple and easy, and perhaps more certain, than that which has been primarily submitted.

With regard to the second object referred to the Secretary, namely, the plan of a provision for the reimbursement of the loan made of the Bank of the United States, pursuant to the 11th section of the act by which it is incorporated, the following is respectfully submitted, to wit: That power be given, by law, to borrow the sum due, to be applied to that reimbursement; and that so much of the dividend on the stock of the Government, in the bank, as may be necessary, be appropriated for paying the interest of the sum to be borrowed.

From this operation it is obvious that a saving to the Government will result, equal to the difference between the interest which will be payable on the new loan, and that which is payable on the sum now due to the bank. If the proposed loan can be effected at the rate of those last made in Holland, the net saving to the Government may be computed at the annual sum of 35,000 dollars; which saving, whatever it may be, is contemplated as part of the means for constituting the proposed annuities.

The benefit of this arrangement will be accelerated, if provision be made for the application of the proceeds of any loans, heretofore obtained, to the payment suggested on the condition of replacing the sums, which may be so applied, out of the proceeds of the loan or loans which shall be made pursuant to the power above proposed to be given.

It will also conduce to the general end in view, if the Legislature shall think proper to authorize the investment of the funds, destined for purchases of the debt, in purchases of six per cent. stock, at the market price, though above par. The comparative prices of the several kinds of stock have been, and frequently may be, such as to render it more profitable to make investments in the six per cents. than in any other species of stock.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

LOANS.

Communicated to the House of Representatives, January 4, 1793.

In the House of Representatives of the United States,

MONDAY, December 24, 1792.

Resolved, That the Secretary of the Treasury be directed to lay before this House, an account of the application of the moneys borrowed, in Antwerp and Amsterdam, for the United States, within the present year.

THURSDAY, December 27.

Resolved, That the President of the United States be requested to cause this House to be furnished with a particular account of the several sums, borrowed under his authority, by the United States; the terms on which each loan has been obtained; the applications to which any of the moneys have been made, agreeable to appropriations; and the balances, if any, which remain unapplied. In this statement, it is requested that it may be specified at what times interest commenced on the several sums obtained, and at what times it was stopped, by the several payments made.

TREASURY DEPARTMENT, January 3, 1793.

SIR:

In obedience to an order of the President of the United States, I have the honor to transmit sundry statements, Nos. I, II, III, IV, respecting the several foreign loans, which have been made under his authority, by the United States, showing, in conformity to the resolution of the House of Representatives of the 27th of December, as far as the materials in the possession of the treasury will now permit, the several particulars specified

in that resolution; these statements will equally fulfil the object of the resolution of the House of the 24th of December.

With perfect respect,

I have the honor to be, Sir,

Your most obedient and humble servant,

ALEXANDER HAMILTON.

The Honorable the Speaker of the
House of Representatives.

No. I.—Statement of the several sums which have been borrowed for the use of the United States, by virtue of the Acts of the 4th and 12th of August, 1790, showing the particular application of the moneys to the 1st of January, 1793, inclusively, and the balance remaining unapplied.

No. II.—Statement showing the particular periods when the bonds were distributed, and the moneys received upon the different loans.

No. III.—A statement of the bills which have been drawn by the Treasurer of the United States, upon the Commissioners in Amsterdam, showing the application of the moneys arising from the sales of those bills, and the balance which remains unapplied.

No. IV.—A particular statement of the bills drawn by the Treasurer of the United States, showing the different periods when drawn and paid in Amsterdam, and the balance remaining unpaid on the 6th of September, 1792.—[*State Papers—Finance*, Vol. I., p. 181.]

LOANS.

Communicated to the House of Representatives, January 11, 1793.

TREASURY DEPARTMENT, January 10th, 1793.

SIR:

The resolution of the House of Representatives of the 27th of December last having been considered as contemplating foreign loans only, the statements rendered to the House, on the 3d instant, were confined merely to those objects.

But, lest a greater latitude should have been intended by that resolution, I have the honor to transmit, herewith, a supplementary statement, No. V., which contains the several sums

that have been borrowed in the United States, under the authority of the President; and to be,

With perfect respect, Sir,

Your most obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Honorable Speaker of the
House of Representatives of the United States.

No. V.—A statement of the moneys which have been borrowed in the United States, by the Government, and applied pursuant to the several acts of Congress. —[*State Papers—Ibid.*, Vol. I., p. 185.]

BANK DEPOSITS, SURPLUS REVENUE, AND LOANS.

Communicated to the Senate, January 18, 1793.

The Senate passed the following order, January 15, 1793:

Ordered, That the Secretary of the Treasury lay before the Senate the account of the United States with the Bank of the United States, specifying the precise sums, with the dates of the debits and credits, from the institution of the bank to the day the return is made.

That the Secretary of the Treasury also lay before the Senate, an account of the surplus of revenue appropriated to the purchase of the public debt, to the same period, specifying the sums and dates.

That he lay before the Senate, a statement of the money borrowed by virtue of the law, passed August the 4th, 1790, with the appropriation of the amount, and the precise dates.

That he lay before the Senate the amount and application of the money borrowed, by virtue of the law of August the 12th, 1790.

And that he also lay before the Senate, an account exhibiting

the probable surplus, and unappropriated revenue of the year 1792, stating, as far as possible, the dates and the sums.

TREASURY DEPARTMENT, January 16, 1793.

SIR:

I have the honor to transmit, herewith, pursuant to the order of the Senate, of yesterday, the following documents, viz:

Books, Nos. 1 and 2,* containing the current cash account, between the United States and the Bank of the United States, from the commencement of the operations of that institution, until this day.

Files, A, B, C, D.*

A. Containing a series of accounts, beginning the 16th of June, 1792, and ending the 5th of January, 1793; showing the cash account of the United States with the office of discount and deposit of the Bank of the United States at Boston.

B. Containing a series of accounts, beginning the 23d of May, 1792, and ending the 5th of January, 1793; showing the cash account of the United States with the office of discount and deposit of the Bank of the United States at New-York.

C. Containing a series of accounts, beginning the 9th of August, 1792, and ending the 5th of January, 1793; showing similar accounts with the office of discount and deposit at Baltimore.

D. Containing a series of accounts, beginning the 9th of June, and ending the 22d of December, 1792; showing similar cash accounts with the office of discount and deposit at Charleston.

Statement E, being an abstract of the balances remaining in the several offices of discount and deposit, at the respective periods of the last returns.

Statement AB and Nos. 1, 2, 3, being accounts of the sales

* "Books Nos. 1 and 2," and "files A, B, C, D," were returned, and are not now to be found.

of bills on Amsterdam, by the Bank of the United States, and the several offices of discount and deposit.

These documents fulfil the first object of the order above mentioned.

Statement F, showing the surplus of revenue appropriated to the purchase of the public debt. This surplus arose at the end of the year 1790, and was appropriated by an act of the 12th of August, 1790.

This fulfils the second object of the order, as I understand its meaning.

Statements (printed) Nos. 1, 2, 3, 4.*

These have been, heretofore, presented to the House of Representatives, and show, with as much detail and accuracy as is now in the power of the treasury, the different loans which have been made, pursuant to the acts of the 4th and 12th of August, 1790, and their application as far as it has gone.

These loans having been contracted in virtue of the powers communicated by both acts, without particular reference to either, a specification of the loans made upon each is, of course, not practicable. This mode of proceeding was indicated first, by an intimation from our bankers in Holland that a distinction might prove an embarrassment (being a novelty, the reason of which would not be obvious to the money lenders.) Secondly, by the consideration that, if the loans were made upon both acts indiscriminately, their application could be regulated as circumstances, from time to time, should render advisable.

These documents fulfil, as far as is practicable, the third and fourth objects of the order.

Statement G, showing the probable unappropriated surplus of the public revenue, during the year 1792.

This fulfils, as far as can now be done, the last of the objects comprised in the order of the Senate.

* For these Statements see State Papers, Vol. I. p. 180.

But, by way of explanation, I beg leave to refer to the printed statement D, which accompanied the estimate for the service of the present year, reported to the House of Representatives on the 14th of November last, and which is herewith transmitted.

The books, Nos. 1 and 2, the papers contained in the files A, B, C, and D, and those marked AB, Nos. 1, 2, 3, are originals. They are sent, rather than transcripts, to avoid delay, as it is understood that the statements called for have reference to the deliberations of the Senate on the bill making appropriations for the service of the current year.

I suppose it would be most agreeable to the Senate, to be enabled, as soon as possible, by the receipt of the information they have required, to proceed to a decision on that important subject; and, exposed as I am, to very perplexing dilemmas, for the want of the requisite appropriations, in consequence of arrangements which it was my duty to enter into, to be able to keep pace with the exigencies of the public service, I could not but feel a solicitude to hasten the communication.

As the originals which have been mentioned are necessary documents of office, I request that the Senate will be pleased to cause them to be returned as soon as they shall have answered the purpose for which they have been required.

With the most perfect respect,

I have the honor to be, &c.,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Vice-President of the United States, and
President of the Senate.

LOANS.

Communicated to the House of Representatives, February 4, 1793.

In the House of Representatives of the United States,
WEDNESDAY, January 23, 1793.

Resolved, That the President of the United States be requested to cause to be laid before this House, copies of the authorities under which loans have been negotiated, pursuant to the acts of the 4th and 12th of August, 1790, together with copies of the authorities directing the application of the moneys borrowed.

Resolved, That the President of the United States be requested to cause this House to be furnished with the names of the persons by whom and to whom the respective payments of the French debt have been made in France, pursuant to the act for that purpose; specifying the dates of the respective drafts upon the commissioners in Holland, and the dates of the respective payments of the debt: A similar statement is requested, respecting the debts to Spain and Holland.

Resolved, That the Secretary of the Treasury be directed to lay before this House an account, exhibiting half monthly the balances between the United States and the Bank of the United States, including the several branch banks, from the commencement of those institutions to the end of the year 1792.

Resolved, That the Secretary of the Treasury be directed to lay before this House an account of all moneys which may have come into the sinking fund, from the commencement of that institution to the present time; specifying the particular funds from which they have accrued, and exhibiting, half yearly, the sums uninvested, and where deposited.

Resolved, That the Secretary of the Treasury be directed to report to this House the balance of all unapplied revenues at the end of the year 1792; specifying whether in money or bonds and noting where the money is deposited: That he also make report of all unapplied moneys which may have been obtained

by the several loans authorized by law, and where such moneys are now deposited.

Report of the Secretary of the Treasury, in pursuance of the foregoing resolutions.

TREASURY DEPARTMENT, February 4th, 1793.

SIR:

I have lost no time in preparing, as far as has been practicable, consistently with the course of facts, the several statements required by the resolutions of the House of Representatives of the 23d of last month; and I have concluded to add to them such further statements as appeared to me necessary to convey fully the information which is understood to be the object of the named resolutions. It was my first intention to submit these the payments collectively, with such explanatory remarks as the pursuant to on might demand; but finding, on experiment, from the spective di and variety of the matter involved in the resolutions, that of the time will be requisite for a full development of it than I requested, ticipated, considerations of weight in my mind have determine to present the different parts of the subject successively. ury be direc other advantages, incident to this course of proceeding, half mont that of having it in my power to give a more accurate ank of th ature view of the entire subject, without too great a derem the co of the current business of the Department. In executing r 1792. ask I propose to myself, I shall rely on the indulgence of ury be House to a latitude of observation corresponding with the which lar circumstances of the case.

ement of e resolutions, to which I am to answer, were not moved ticular fu t a pretty copious display of the reasons on which they yearly, th unded. These reasons are before the public, through the of the press. They are of a nature to excite attention; y be directed alarm; to inspire doubts. Deductions of a very extrarevenues at th complexion may, without forcing the sense, be drawn oney or bon m.

t he also ma it incumbent upon me to meet the suggestions which been obtai

have been thrown out, with decision and explicitness. And while I hope I shall let fall nothing inconsistent with that cordial and unqualified respect which I feel for the House of Representatives; while I acquiesce in the sufficiency of the motives that induced on their part the giving a prompt and free course to the investigation proposed; I cannot but resolve to treat the subject with a freedom which is due to truth, and to the consciousness of a pure zeal for the public interest.

I begin with the last of the four resolutions, because it is that which seeks information relating to the most delicate and important of the suggestions that have been hazarded.

Here, however, I have to regret the utter impossibility of a strict compliance with the terms of the resolution. The practicability of such a compliance would suppose nothing less than that, since the last day of December, 1792, all the accounts of all the collectors of the customs and other officers of the revenue, throughout the whole extent of the United States, could be digested, made up, and forwarded to the treasury; could be examined there, settled, and carried into the public books, under their proper heads; in a word, that all the accounts of the revenues, receipts, and expenditures, of this extensive country, could have passed through a complete exhibition, examination, and adjustment, within the short period of twenty-three days.

It was made (as I presume from the result) satisfactorily to appear to a committee of the House of Representatives, who were charged during the last session with framing a direction to the treasury for bringing forward an annual account of receipts and expenditures, that the course of public business would not admit of the rendering of such an account in less than nine months after the expiration of each year; in conformity to which idea, their report was formed, and an order of the House established.

I need do nothing more, to evince the impracticability of an exact compliance with the resolution in question, than to observe, that it is even more comprehensive (though with less detail) than the order of the House to which I have alluded.

To evince, nevertheless, my readiness to do all in my power

towards fulfilling the views of the House, and throwing light upon the transactions of the Department, I shall now offer to their inspection sundry statements, marked A, AB,* B, C, D, E, F, which contain, as far as is at this time possible, the information desired, and with sufficient certainty and accuracy to afford satisfaction on the points of inquiry involved in the resolution.

The statement A shows in abstract the whole of the receipts into, and expenditures from, the treasury, commencing with the first of January, and ending with the last of December, 1792, corresponding with the accounts of the treasurer. These accounts have been regularly settled up to the end of September, and copies have been laid before the two Houses of Congress. The account for the quarter terminating with the year has not yet passed through the forms of settlement, but is under examination, and will, no doubt, be settled as it stands; the manner of conducting the business, and the usual care and accuracy of the officer concerned, leaving very little room to apprehend misstatement or error. A copy of this account is herewith submitted, in the schedule marked C.

This statement takes up the balance of the general account of receipts and expenditures to the end of the year 1791, as reported to the House of Representatives within the first week of the present session, and continuing it down to the end of 1792, shows a balance then in the treasury of seven hundred and eighty-three thousand four hundred and forty-four dollars and fifty-one cents.

The statement B is a more comprehensive document. It is a general account of INCOME and expenditure. It shows not merely the actual *receipts* of money into the treasury, but the whole amount of the national revenues, from the commencement of the present Government, to the conclusion of the year 1792, as well *outstanding* as collected; the proceeds of domestic loans; the whole amount of the sums which have been drawn into the United States, on account of the foreign loans; and all other moneys, from whatever source, which have accrued within the period embraced by the statement.

* For statement AB, see State Papers, Finance, Vol. I., p. 188.

These items form the debit side of the account, amounting to seventeen millions eight hundred and seventy-nine thousand eight hundred and twenty-five dollars and thirty-three cents.

The credit side consists of two items: 1. The whole amount of the actual expenditures to the end of the year 1791, as stated in the general account of receipts and expenditures before referred to. 2. The whole amount of the actual expenditures during the year 1792, as specified generally in the statement A, and particularly in the several quarterly accounts of the treasurer, amounting to twelve millions seven hundred and sixty-five thousand one hundred and twenty-eight dollars and eighty-three cents.

The balance of this account of income and expenditure is consequently five millions one hundred and fourteen thousand six hundred and ninety-six dollars and fifty cents; which corresponds with the excess of the public income (including the proceeds of loans, foreign and domestic) beyond the actual expenditure, or more properly speaking, *disbursement*, to the end of the year 1792. This of course is exclusive of those parts of the proceeds of foreign loans which have been left in Europe, to be applied there; the amount, application, and balance of which, are exhibited, as far as they are yet known at the treasury, in the statement No. 1, of my late report on foreign loans.

This balance, as noted in the statement B, is composed of the following particulars:

1. Cash in the treasury, per statement A, -	$783,444 51
2. Cash in the Bank of the United States, and the offices of discount and deposit of New-York and Baltimore, not yet passed to the account of the treasurer, per statement AB,	605,883 08
3. Proceeds of Amsterdam bills remaining in deposit in the Bank of North America, including the sum of one hundred and fifty-six thousand five hundred and ninety-five dollars and fifty-six cents, advanced by the bank, without interest, which is credited in	

the general account of receipts and expenditures, statement A,	177,998 80
4. Proceeds of Amsterdam bills sold, but not yet received,	614,593 02
5. Cash in hands of collectors of customs, per abstract D,	151,851 25
6. Bonds unpaid at the end of the year one thousand seven hundred and ninety-two, on account of the duties on imports and tonnage, and falling due between that time and May, one thousand seven hundred and ninety four, per abstract E,	2,442,069 15
7. Uncollected residue of duties on spirits distilled within the United States, per abstract F,	341,057 19
Making, together,	$5,116,897 00

This aggregate somewhat exceeds the balance of the account, but, in a case where estimates must necessarily supply the deficiency of ascertained results, differences of this nature are of course. It is at the same time satisfactory to observe, that the estimates which have been heretofore communicated are proved, by the official documents already received, to have been essentially correct.

It will no doubt readily occur to the House, that a very small part of the excess which has been stated, is a real surplus of income. There remain to be satisfied, numerous objects of expenditure, charged upon the fund by the appropriations which have been made, that cannot fail ultimately to exhaust it, probably within four or five hundred thousand dollars; which will be embraced in the appropriations for the service of the year one thousand seven hundred and ninety-three. A further explanation on this point is reserved for future communication.

A due comprehension of the statements now presented must obviate every idea of a balance unaccounted for, in whatever sense the allegation may have been intended to be made.

If there was before any obscurity on the subject, it was certainly not the fault of this Department. Till the last resolutions, no call has been made upon it which rendered it proper to exhibit a general view of the public moneys and funds, or to show the amount and situation of such as were unapplied. Particular calls for particular objects were made, which, as I conceive, were complied with; but they were not comprehensive enough to embrace a disclosure of that nature.

It could not therefore with propriety have been alleged, that there was a balance unaccounted for; to infer it from documents, which contained only a part of the necessary information, was not justifiable. Nor could it otherwise happen, than that conclusions, wholly erroneous, would be the consequences of taking such imperfect data for guides.

It may be of use, by way of elucidation, to point out some of the most palpable features of the error which has been entertained.

The following items are stated as the basis of the supposed deficiency:

Residue of the proceeds of the foreign bills supposed to be unapplied (after deducting the sums furnished for St. Domingo, and the amount of the debt to the foreign officers), - - -	$1,668,190
Surplus of sinking fund, meaning, I presume, that part of the surplus of the revenue to the end of the year 1790, which had not been applied in purchases, - - - - - - - - -	400,000
Surplus of revenue of the year 1792, as reported,	277,385
	2,345,575
Deduct, in bank, meaning, I presume, the balance of the treasurer's cash account, - - -	790,642
Balance, not accounted for,	1,554,933

It appears, in the first place, to have been overlooked, that, in statement No. 3, of my late report concerning foreign loans,

mention is made that, on the 3d of January, there remained *to be received* of the proceeds of the foreign bills, six hundred and thirty-two thousand one hundred and thirty-two dollars and two cents; consequently, that sum could not be considered as in the treasury, and ought to be deducted from the supposed deficiency.

Among the official papers, which it is intimated were consulted, was an original account, rendered by the Bank of the United States, of the sales of Amsterdam bills, showing a sum of six hundred and five thousand eight hundred and eighty-three dollars and eight cents, as having been received by the bank and two of its offices of discount and deposit, for the proceeds of those bills. Had the document been understood, it would have been known, that this sum was in bank over and above the balance of the treasurer's cash account; and this also would have served to account for a large part of the supposed deficiency; namely, six hundred and five thousand eight hundred and eighty-three dollars and eight cents. The course of this transaction will be hereafter explained.

But, among the misconceptions which have obtained, what relates to the surplus of revenue of the year 1792, is not the least striking. The *laws* inform (and consequently no information on that point from this Department could have been necessary) that credits are allowed upon the duties on imports, of four, six, nine, twelve months, and, in some cases, of two years. Reason dictates, that a *surplus*, in such case, must be considered as postponed in the collection or receipt, till all the appropriations upon the fund have been first satisfied. The account of receipts and expenditures to the end of 1791, in possession of the House, shows that, at that time, no less a sum than one million eight hundred and twenty-eight thousand two hundred and eighty-nine dollars and twenty-eight cents of the antecedent duties were outstanding in bonds. How then could it have happened, that the surplus of 1792 was sought for in the treasury, *at the very instant of the expiration of the year?* I forbear to attempt to trace the source of a mistake so extraordinary!

Let me, however, add, that, of the surplus in question, one

hundred and seventy-two thousand five hundred and eighty-four dollars and eighty-two cents are not payable till April and May, 1794, as will be seen by the abstract E.

Thus have I not only furnished a just and affirmative view of the real situation of the public account, but have likewise shown, I trust in a conspicuous manner, fallacies enough in the statement, from which the inference of an unaccounted for balance is drawn, to evince that it is one tissue of error. In this I might have gone still further, there being scarcely a step of the whole process which is not liable to the imputation of misapprehension. But I wish not unnecessarily to weary the patience of the House.

Another circumstance, to which importance has been given, and which was noticed in connection with the suggestion last discussed, is a disagreement between a memorandum in the treasurer's bank-book, and the statement reported by me of the amount of bills drawn at the treasury upon the foreign fund. A disagreement no doubt exists, and to the extent of five millions seven hundred and sixty thousand one hundred and thirty-eight florins or guilders.

But the following circumstances contain the solution of this disquieting appearance.

There will be found in the statement A two several credits, each for two millions of dollars, as for moneys received into the treasury, with corresponding debits of equal sums, as for moneys paid out of the treasury.

But neither the one nor the other did in reality take place. The whole is a mere operation, to accomplish the purposes of the eleventh section of the "act to incorporate the subscribers to the Bank of the United States," without an inconvenient and unnecessary displacement of funds.

That section authorizes a subscription to the stock of the bank, on account of the Government, not exceeding in amount two millions of dollars, and provides for the payment of it out of the moneys which should be borrowed by virtue of either of the acts of the fourth and twelfth of August, 1790; the first making provision for the public debt, the last for reducing it; enjoining,

at the same time, that a loan should be made of the bank to an equal amount, to replace the moneys which were to be applied to the payment of the subscription.

It is evident, that nothing could have been more useless (at the same time that it would have been attended with obvious disadvantages to the Government), than *actually* to draw from Europe, out of the moneys borrowed there, the sum necessary for the payment of the subscription to the bank, and again to remit, out of the loan which was to be obtained of the bank, a sufficient sum to replace such moneys, or such part of them as may have been destined for the foreign object. Loss upon exchange, in consequence of overstocking the market with bills; loss in interest, by the delays incident to the operation; and which would necessarily have suspended the useful employment of the funds for a considerable time: these are some of the disadvantages to the Government. To the bank alone could any benefit have accrued; which would have been in proportion to the delay in restoring or applying the fund to its primitive destination. Such an operation, therefore, could only have been justified by an indisposition on the part of the bank to facilitate the principal object, without the intervention of actual payment.

But no such disposition existed. On this, as on every other occasion, a temper liberal towards the Government has characterized the conduct of the directors of that institution.

It was accordingly proposed by me, and agreed to by them, that the object to be accomplished should be carried into effect by a merely formal arrangement. In this, however, it was necessary to consult the injunctions of law, and the principles of the constitution of the treasury department.

These points then were to be effected: a payment of the subscription money, to vest the government with the property of the stock; possession of the means of paying it, which were to be derived from the foreign fund, and of course were first to be in the treasury before payment could be made; the replacing what should be taken from that fund, by a loan of the bank.

The following plan for these purposes was devised and executed, by previous concert:

The treasurer drew bills upon our commissioners in Amsterdam for the sums requisite to complete the payment on account of the subscription. These bills were purchased by the bank, and warrants in favor of the treasurer upon the bank served, to place the proceeds in the treasury. Warrants afterwards issued upon the treasurer, in favor of the bank, for the amount of the subscription money, which was receipted for on the part of the bank, as paid. Other warrants then issued in favor of the treasurer upon the bank, for equal sums, as upon account of a loan to the Government, which warrants were satisfied by a re-delivery to the treasurer of the bills that had been drawn upon the commissioners. In the last place, warrants were drawn upon the treasurer, to replace the moneys supposed by the arrangement to be drawn from the foreign fund, which perfected the operation. But, from the detail which has been given, it will be seen that, *in fact*, no moneys were either withdrawn from, or returned to, that fund. The bills were cancelled, annexed to the warrants, and are lodged in the treasury as vouchers of the transaction.

These bills were for two separate sums, each two millions four hundred and seventy-five thousand guilders, equal to a million of dollars; the payment having been divided into two parts, upon certain equitable considerations, relative to the dividend of the first half year.

This transaction explains four millions nine hundred and fifty thousand guilders, of the sum which forms the disagreement between the memorandum in the treasurer's bank book, and the statement reported by me.

The residue is thus explained: The sum of one million two hundred and thirty-seven thousand five hundred guilders, directed to be drawn for, on the thirtieth of November, was directed to be comprised in one or more bills, as the bank should desire. It was at first placed in one bill; but this bill was afterwards returned, with a request that it might be converted into smaller sums. The bill returned was cancelled; and, in lieu of it, there had been furnished, prior to the 1st of January, of the present year, nine hundred and thirty-four thousand five hundred guilders; the balance, three hundred and three thousand,

then remaining to be furnished. The sum of nine hundred and thirty-four thousand five hundred guilders, consequently appears twice in the memorandum.

These two sums, of four millions five hundred and ninety thousand, and nine hundred and thirty-four thousand guilders, exceed the difference in question, by one hundred and twenty-four thousand three hundred and sixty-two guilders.

The treasurer informs me, that there are two bills not included in the memorandum; one for one hundred and twenty-three thousand seven hundred and fifty, and the other for six hundred and twelve guilders; which make up the above mentioned excess. The former of these two bills was furnished to the Secretary of State for the purpose contemplated by the third section of the act of the last session, entitled "An act making certain appropriations therein specified."

Is it not truly matter of regret, that so formal an explanation, on such a point, should have been made requisite? Could no personal inquiry, of either of the officers concerned, have superseded the necessity of publicly calling the attention of the House of Representatives to an appearance, in truth, so little significant? Was it seriously supposable that there could be any real difficulty in explaining that appearance, when the very disclosure of it proceeded from a voluntary act of the head of this department?

With perfect respect,
I have the honor to be, sir,
Your most obedient and most humble servant,
ALEXANDER HAMILTON,
Secretary of the Treasury.

The Hon. Jonathan Trumbull, Esq.
Speaker of the House of Representatives.

P. S. Another statement of income and expenditure having been made, which presents the subject under another aspect, but agreeing in the result with the statement B, is herewith also submitted, marked B a.

For Schedule see State Papers, Finance, Vol. I., p. 196.

LOANS.

Communicated to the Senate, February 6, 1793.

TREASURY DEPARTMENT, February 5, 1793.

SIR:

In pursuance of the first part of the order of the Senate, of the 23d of January past, I have the honor to send, herewith, sundry statements, marked A, AB, B, B a, D, E, F,* and I beg the permission of the Senate to add the copy of a letter dated yesterday, which served to transmit duplicates of the same documents to the House of Representatives, and which contains some explanations of them, a repetition of which, here, will be, thereby, rendered unnecessary. The document C, referred to in that letter, was also sent to the House of Representatives, but being of considerable length, a duplicate is not yet ready; and I did not think it advisable to detain the other papers till it was ready.

The documents, now transmitted, will answer the whole of the inquiry contained in the first part of the order, above referred to, except what regards a distribution of the expenditures, under each head of appropriation, which is in preparation, and will be forwarded as soon as it can be ready.

The situation in which I am placed, renders further delay absolutely necessary, to the fulfilment of the second part of the order.

There is a point in my letter of the 16th of January to the Senate, concerning which, some explanation is requisite. I stated, as one motive to the joint negotiation of the loans, under both acts, "an intimation from our bankers in Holland, that a distinction might prove an embarrassment, being a novelty, the reason of which would not be obvious to the money lenders." This was done from memory, without recurrence to documents, and in a degree of hurry occasioned by my anxiety for the speedy passing of the appropriation bill, and upon a revision,

* For these statements, see State Papers, Finance, Vol. I., pp. 187–190; 195–200.

proves to be not accurate. The mistake arose in the following manner. My original idea was, to maintain a separation between the two acts. This will appear from my letter of the 28th of August, 1790, to our bankers, in which I express a desire that they would endeavor to place part of the first loan upon one act, and another part upon the other act. But they did not carry this idea into execution, for the reason assigned in their answer, now before the Senate; which is, that the subdivision proposed would, under the circumstances of the case, tend to excite speculations and doubts among the money lenders.

But, prior to the receipt of their answer, I had made further inquiry, and had reflected more on the subject. The result of my inquiry was, that the money lenders, having been accustomed to lend on the general credit of the Government borrowing, with a sort of general pledge of its revenues and resources, the attempt to bottom a loan upon any particular law, might, as a novelty, occasion some hesitation and embarrassment among them; especially, as they are known to be a description of men, much influenced by habit and precedent; and the conclusions, from more full reflection, were, that the distinguishing of the loans with reference to each act, might not only embarrass the business, in the first stages of negotiation, but might interfere with an application of the proceeds of the loans, in the most convenient and beneficial manner, according to circumstances.

On these considerations, I abandoned my original intention, and in my first instruction to Mr. Short, was silent on the point.

These different positions of the subject in the mind, at different times, and what actually took place, with regard to the first loan, produced some confusion in the recollection of facts, and led me to assign as a cause, what had been only a collateral circumstance, and to ascribe to the bankers, intimations, or rather information, which I had received from other quarters.

I submit this explanation of the matter to the candor of the Senate, and have the honor to be, with perfect respect,

Sir, your most obedient servant,

ALEXANDER HAMILTON.

The Vice President of the United States and
President of the Senate.

TREASURY DEPARTMENT, February 5, 1793.

SIR:

By order of the President of the United States, I have the honor to transmit herewith:

1. Copies of a power given by him, to the Secretary of the Treasury for the time being, dated the 28th of August, 1790, for the negotiation of the loans authorized by the laws of the 4th and 12th of August, 1790, and of certain instructions relative thereto, dated on the same day.

2. Copies of an authority, founded upon the power of the President, from me to William Short, Esquire, dated the 1st of September, 1790, and of sundry letters from me, to the said William Short, of dates from the 29th of May, 1790, to the 31st of December, 1792, inclusively, relating to the negotiation and application of the above mentioned loans.

3. Originals of sundry letters, from William Short, to me, under dates from the 2d of December, 1790, to the 2d of November, 1792, inclusively, relating to the same subject.

4. Copy of an authority from me, to Messrs. Wilhem and John Willinks, Nicholaas and J. Van Staphorst, and Hubbard, bankers of the United States, at Amsterdam, dated the 28th of August, 1790, relating to the first of the loans made under the above mentioned acts, and copies of sundry letters to the said bankers, of dates from the 28th of August, 1790, to the 31st of December, 1792, inclusively.

5. Originals of sundry letters, from the said bankers, to me, of dates from the 25th of January, 1790, to the 5th of November, 1792.

6. Copies of sundry letters, of dates from the 18th of June, to the 24th of September, 1792, inclusively, between G. Morris, and W. Short, Esquires, having relation to the above subjects.

The general power from the President to the Secretary of the Treasury, of the 28th of August, 1790, and the communications from William Short, Esquire, who has been the only commissioner, would, it is presumed, have fulfilled the terms of the resolution of the Senate of the 23d of last month, and are transmitted, pursuant to the request contained in that resolution.

But the President has been pleased to direct the transmission of the other documents, also, in the supposition that they will serve to throw light upon the general subject of that resolution.

With perfect respect, I have the honor to be, Sir, yours, &c.

ALEXANDER HAMILTON,
Secretary of the Treasury.

The Vice President of the United States and
President of the Senate.

[NOTE. Of the papers referred to in this report, none are now to be found, except those published with the Secretary's *second* report, of the 18th February, 1793, which follows.]

LOANS.

Communicated to the House of Representatives, February 18, 1793.

SIR:

The next most important article of inquiry involved in the resolutions of the House of Representatives of the 23d of January last, and in the observations which have been made respecting the conduct of this Department, relates to the loans negotiated under the acts of the fourth and twelfth of August, one thousand seven hundred and ninety.

The papers which have been transmitted to the House by order of the President, disclose the following particulars—

1. That the immediate superintendence of the business of the loans was confided to the Department of the Treasury, being naturally connected with it. This trust, besides the original instructions for regulating the execution of it, which have been communicated, was of course subject to such directions, from time to time, as the President should think fit to give, or as occasions should require. A considerable latitude of discretion, nevertheless, from the very nature of the case, attended it, so as justly to leave, on the head of this Department, a complete

responsibility in all instances, where special exceptions do not appear.

2. That the first loan which was obtained, was undertaken and completed by the agency of Wilhem and Jan Willink, and Nicholaas and Jacob Van Staphorst and Hubbard, who, both under the former and present Government, have been, and are, the bankers of the United States, at Amsterdam.

3. That, with the single exception of the first loan, William Short, Esq., then chargé des affaires at the court of France, now resident minister at the Hague, was constituted the sole agent of this Department for carrying into effect the powers confided to it; with this qualification only, that, if any negotiation with a Prince or State, to whom any part of the debt to be discharged by the loans was due, should be requisite, the same was to be carried on through the person who, in capacity of minister, chargé des affaires, or otherwise, then was, or thereafter might be, charged with transacting the affairs of the United States with such Prince or State.

4. That all payments, which have been made out of the proceeds of the loans, have been made by the immediate and special order of Mr. Short, except those upon the bills of the Treasurer for the moneys drawn to this country, and those to the money lenders in Holland; which were made in course by our bankers, at the periods they respectively became due. This consequently embraces all the payments to France; the very last of which, though agreed for by Mr. Morris, in consequence of his having been employed for a special purpose by Mr. Short, was not, and could not, be completed, but by the same *immediate* and *special* direction of Mr. Short.

It moreover appears, from the same papers, and more fully from the correspondence at large, now before the Senate, that, except in the particular instance which has been just stated, with regard to Mr. Morris, there has been no other agency in the whole business, than that of Mr. Short, and of the bankers at Amsterdam and Antwerp, whom he necessarily employed as instruments in the negotiations with the money lenders, and in the receipt and disbursement of the moneys borrowed. These,

as already mentioned, were, at Amsterdam, the two houses of Wilhem and Jan Willink, and of Nicholaas and Jacob Van Staphorst and Hubbard; at Antwerp, a Mr. G. De Wolf was the banker.

It may not be without its uses to add, that the moneys proceeding from the loans have constantly remained in the hands of the respective bankers, till they have been paid over to the creditors; namely, the French treasury, or their bankers, the money lenders or their representatives, the holders of the bills drawn from this country by the treasurer. Neither Mr. Short nor Mr. Morris has ever had possession of a single guilder. The latter, indeed, has never even had power over *one*, excepting merely a sum of 105,000 guilders, by letter of mine, dated the 18th September last, placed at his disposal for paying, *at Paris*, according to stipulation, the interest on the debt due to foreign officers. The fact is, and it is so demonstrated by the correspondence already referred to, that I never wrote a line to Mr. Morris, on the subject of the loans or their proceeds, but in reference to the case just mentioned, of the interest payable to foreign officers, in respect to which, local situation governed.

One more circumstance only is necessary to be noticed in this place, with a view to the elucidation intended. It is this: that the last payment, though originating prior to the change in the political position of France, of the 10th of August last, not having been consummated till the 6th of September following, fell, of course, under the disposition of those then in possession of the power of the nation.

It could not but have been unexpected to me, that exception should be taken to the report lately made by me on the subject of foreign loans, for the omission of details which I did not, at the time, and do not yet, conceive to have been called for, by the terms of the resolutions upon which it was founded. The request addressed to the President, by those resolutions, was, that he would cause to be laid before the House, a particular account of the *sums borrowed, under his authority*, by the United States; the *terms* on which each loan was obtained; the *applications* which had been made *of the moneys*, agreeably to appropriations; the

balances, if any, which remained unapplied; specifying, also, at what *times interest commenced* on the several sums obtained, and at what *times it was stopped* by the several payments made. It was not natural to imagine that these expressions were designed to comprehend a specification of the *precise authorities* under which the loans were negotiated, of the *names* of the *persons*, by whom they were negotiated, of the particular *place* or *places* where the balance unexpended of the sums that had been drawn for to the United States, were *deposited*. Still less natural was it for me to anticipate surmises, which could give to such particulars the shadow of importance. But, as animadversions have attended the omission of those details, I ought to regard it as an admonition to me to be more full and precise in my present communication—a motive which co-operates with my desire to throw all possible light upon the subject.

The first general circumstance which requires to be noticed and explained, after the particulars that have been communicated, is this: that all the loans which have been hitherto obtained have been made under the authority of both acts, without particular reference to either.

The idea originally entertained was to conduct them on a different plan, founding each loan upon one or the other of the acts, as will be seen by my letter of the 28th of August, 1790, to our bankers at Amsterdam; at the same time that it will appear, from the same letter, that the separation did not appear to me a matter of consequence, and that I anticipated the possibility of a difficulty in adhering to it in the particular case. That difficulty proved, in the opinion of the bankers, to be of sufficient moment to render the arrangement contemplated, under the circumstances of the case, unadvisable, as they inform me in their answer to the above-mentioned letter.

But, prior to the receipt of that answer, further inquiry and reflection had determined me to abandon my original idea, as likely to produce embarrassment and inconvenience, both in the negotiation of the loans, and in the application of their proceeds. It was, accordingly, concluded to let the loans proceed indiscriminately, upon both acts.

These loans were to have reference to two purposes: first, the reimbursement of the foreign debt; second, the purchase of the domestic debt at its market price.

There were weighty reasons for carrying on both these operations concurrently. The arrears to France had been a considerable time accumulating. It was, in every sense, proper that a reimbursement of them should begin, without delay, and desirable, for obvious reasons, that it should go on without any very considerable chasms or intermissions. This manner of proceeding could not but have the fairest chance of being the most satisfactory and convenient to France; unless, indeed, the business were to have proceeded upon the principle of an entire postponement of the domestic object to that of the reimbursement.

But very cogent reasons rendered this course not the most eligible; the early commencement of purchases of the debt was a matter of real and great importance.

It was important in two relations: as it regarded the advantages to the Government, from redeeming a portion of the debt at low prices; and still more, as it regarded the savings to the country from raising the price of stock on foreign purchasers; the beneficial influence upon the credit of the nation, abroad and at home, to be expected from a quick appreciation of the public obligations; the benefit to the public creditors in general, and to the most meritorious classes of them in particular, which would result from the same cause; all which objects were suggested from the treasury, as motives to the provision respecting purchases, and are evidently contemplated in the preamble of the act which makes that provision.

Exclusive of the other advantages which have been cited, and which are of a nature truly precious and important, that of preventing foreigners from acquiring the property of our citizens, at a great undervalue, is too obvious not to be estimated, as it ought to be, at first sight. It cannot require argument to show how great an evil it was, that foreigners should be able to acquire, with nine or ten, that for which the country would ultimately have to pay them twenty, with full interest in the interval; nor how much it merited the attention of the Government to prevent or lessen so serious an evil.

But the influences which the purchases by the Government may have had upon this event may not be equally obvious. It is, however, not difficult to be traced. Price naturally keeps pace with competition and demand; whatever increases the latter, necessarily tends to an augmentation of the former. Merely, then, as another purchaser, by adding to the competition and demand, the purchases of the Government were calculated to influence a rise of price. But they had an effect more than proportioned to their real extent. Imagination has much to do in all such questions, and in scarcely any thing so much as in what relates to public funds. Experience proves that it is here exerted with uncommon effort. The appearance of the Government, as a purchaser, has not failed to excite the expectation of a greater demand than was real, because the extent of the resources, to be employed, might be very great, and was unknown; which, by stimulating the zeal of those who wanted to buy, lest the price should rise suddenly and considerably upon them, and by encouraging those who wanted to sell, under the hope of a better price, to hold back the commodity, has, in both ways, generally contributed to give a spring to the market. Prices once raised, when founded on intrinsic value, tend to maintain themselves; because those who have given them are, for the most part, interested in keeping them up; and every new impulse which they receive, serves to carry them rapidly to their just level.

Those who have been most attentive to the operation of the public purchases will have the least doubt that they had a material agency in accelerating the appreciation of the public stock.

An inquiry naturally arises here, Were the moneys which were drawn from Europe, on account of the foreign loans, the instrument of the purchases to which these beneficial effects are ascribed?

I answer, that these purchases are to be attributed to the instrumentality of that fund; that, had it not been for this resource, they could not have been made at the early periods when most of them were made. The course of the transaction will be fully, and with more propriety, explained in another place. . . .

An attention to both objects—to the reimbursements to France, and to the purchases of the debt, rendered expedient a submission even of the first loan. Considerations of the moment seconded those of a general nature, to induce an immediate payment to that country. The loan had been undertaken without previous authority from hence, with a view to such payment: this was known, and a correspondent expectation excited. The immediate situation of the French finances rendered a payment, at the particular juncture, more than ordinarily interesting. In such a state of things, there could be no hesitation about applying a large part of the loan to that object. Another part of it was, of necessity, applied to the payment of the sums that were falling due on the Dutch loans; and it is presumed that the reasons which have been assigned, will appear to have been sufficiently powerful to have dictated the drawing of a part of it to the United States.

Accordingly, a million and a half of the three millions borrowed were appropriated to France; something more than eight hundred thousand guilders were drawn for here, and the remainder of the loan was left to be disbursed in Holland.

It shall not be concealed, though I am aware that the acknowledgment may be a subject of criticism, that the conduct which was pursued, both with regard to this and to the succeeding loan, was, in some degree, influenced by a collateral consideration. The Government had but just adopted a plan for the restoration of public credit. The periodical payment of interest was to commence on the 1st of April, 1791. A considerable part of the revenue, out of which the moneys were to arise, was only to begin to accrue on the 1st of January preceding. This revenue was liable to credits of four, six, and twelve months.

How far its eventual product would answer expectation; how far the punctuality of payments could be relied upon; were points unascertained, and which required, to their ascertainment, much more experience than had been obtained. In such a situation it was not only natural, but necessary, for an administrator of the finances to doubt; and, doubting, it was his duty to call to the aid of the public credit every auxiliary which it was in his

power to command. He was bound to reflect, that a failure in any stipulated payment would be fatal to the dawning credit of the country; to the reputation of the Government, just beginning to rise. That a wound inflicted upon either, at so early a stage, under all the circumstances of opposition to the constitution, which had existed in the community, would have been deeply felt, and might either not have admitted of a cure at all, or not till after a length of time, and a series of mischiefs; that it could not but be an important service rendered to the country to ward off so great a misfortune, by the temporary use of any extraordinary resource which might be at hand, till time was given for more effectual provision.

If, in the course of such reflections, a doubt had occurred about the strict regularity of what was contemplated as a possible resort, a mind sufficiently alive to the public interest, and sufficiently firm in the pursuit of it, would have dismissed that doubt, as an obstacle, suggested by a pusillanimous caution, to the exercise of those higher motives, which ought ever to govern a man, invested with a great public trust. It would have occurred, that there was reasonable ground to rely, that the necessity of the case, and the magnitude of the occasion, would insure a justification, and that, if the contrary should happen, there remained still the consolation of having sacrificed personal interest and tranquillity, no matter to what extent, to an important public interest, and of having avoided the humiliation which would have been justly due to an opposite and to a feeble conduct.

The disposition which was resolved upon with regard to the first loan, involved, necessarily, a decision of the point, that the loans might be placed on the joint foundation of both acts. That loan having been undertaken, as already mentioned, without previous authority, and, consequently, without a particular eye to either act, it was probable that it would be found too late to make an apportionment of one part of the sum borrowed to one act, of another part to the other act. In that case, the distributive application of the fund to the different objects, was to be relinquished, or the possibility was to be admitted of the loan being left to stand upon the authority of both acts. The same

disposition of the first loan, will, also, illustrate the convenience and expediency of the plan which was finally adopted, that is, of placing the loans on the basis of both acts.

The idea of a concurrent execution of both the objects to which the loans were destined, could not, conveniently, have been pursued, upon the plan of a separation of the loans, which, to be effectual, would include the strict application of the proceeds of each, to the purposes of the particular act upon which it was founded.

Amsterdam was naturally looked to, as the great scene of the intended loans. There, as every where else, there is but a certain quantity of money floating in the market, from time to time, beyond the necessary demands of trade and industry, seeking for employment in loans. This quantity, of course, varies at different periods, from a variety of causes. Of the quantity at any time afloat, but a certain proportion can be commanded by any one borrowing power, owing to the competition of other borrowers, who have, each, their connections, through their bankers, with different sets of undertakers and money lenders. Nor is it always that considerable loans can be had, at any rate. There are certain seasons only, when they are practicable.

To have brought two loans upon the market at one time, as an opportunity of borrowing offered, which must have been the case in order to make concurrent provision for both the objects in question, if the principle of a separation of the loans had been adopted, would have been to exhibit to the money lenders a very unusual appearance. With men known to be much influenced by precedent and habit, such an appearance could not have failed to prove a source of speculation and conjecture, and might have led to a confused idea that the wants of the United States were excessive—a supposition by no means calculated to promote their credit. It would, moreover, have been a departure from that simplicity of procedure, which, where numbers are concerned, is always of moment to a right conception of the business to be accomplished, and ought not to be abandoned but for reasons of real utility and weight.

To have instituted the loans successively, founding each upon

one or the other of the acts, would have had a tendency to occasion longer intervals between the payments to France than was desirable. The intervention of a loan for the purpose of purchases, would have created, of course, a very considerable chasm. It may be objected, that such chasms did happen on the plan which was pursued. This is true, in two instances; but the most material of the two proceeded from casualties foreign to the plan itself, which are detailed in the correspondence more than once alluded to.

It is possible, too, that a separation of the loans might have rendered it less easy to take advantage of a state of the market, favorable to their extension at a particular juncture. The loan to be brought on the market might relate to the purchase of the debt. The moment might be favorable to a more considerable loan than was within the limits prescribed for that object, and the opportunity might slip before a second could be instituted. In this business, moments are often of importance, and are to be embraced with promptitude and dexterity.

Thus, it appears that, in different ways, the negotiation of the loans might have been embarrassed by their separation.

But the most obvious, if not the most serious of the inconveniences which would have attended it, respects the application of the sums borrowed. This could not, then, have been moulded as the interest or policy of the Government might dictate. A loan for the purchase of the debt might have been made, under prospects promising a ready and beneficial investment of it; but, before the investment was made, a change of the market might render it ineligible, involving the alternative, either of a disadvantageous investment, or of leaving, perhaps, a large sum of money a long time unemployed. Such a state of things might have produced, to the banks, an advantage, and, to the Government, a loss, of magnitude sufficient to give color to a surmise that the public interest had been sacrificed to the profit of those institutions. The contrary course has essentially avoided that evil, which, in this, and in other instances, would have been incident, in a far greater degree, to the modes of proceeding, contrasted with those that have been pursued, than has, in reality, attended them.

Or, political considerations might have rendered it advisable to transfer the application of the fund from one object to the other.

Of this, the case of St. Domingo presents an example. It might have happened, on the plan of separate loans, that there was no fund in hand but for the purchase of the debt. Then, on the principle of that plan, there would have been no fund in the disposition of the Executive, applicable to the other object, which would have embarrassed the performance of a duty towards a friendly Power, and, in a way which included the positive advantage to the country, of paying, directly, a part of its foreign debt, in its own productions.

Such were the embarrassments avoided, and such the conveniences secured, by the plan of making the loans indiscriminately, upon the authority of both acts.

In the opposite plan, I can discern no counterbalancing advantage nor convenience.

Consequently, if both are equally legal, there can be no doubt which of them ought to have been preferred.

If there be any want of legality in the plan which has been pursued, I was not, at the time, and am not yet, sensible of it.

I know of no rule which renders it illegal in an agent, having, from the same principal, two authorities to borrow money, whether for one, or different purposes, to unite the loans he may make, upon the foundation of both authorities, provided the terms of them be consistent with both or either of his commissions. If the purposes are different, it will be incumbent upon him to take care that the application of the moneys borrowed makes the proper separation, and, doing this, he will have fulfilled his trust. To test this position, it seems only necessary to ask, whether the principal, in such case, would not be fully bound to the lenders?

In reflecting, originally, upon the regularity of the proceeding meditated, there was but one source of hesitation—the difference in the funds upon which the loans were to rest. But, the following reasoning satisfied the scruple: The pledging of particular funds, is for the security of the lenders. If they are

willing to waive the special security, by lending on the general credit of the Government, or to dispense with the preference of one fund to another, where two are pledged, by lending indiscriminately on the credit of both, the one or the other circumstance must be alike indifferent to the Government. The authority will have been well executed, to the extent necessary for public purposes, and, if any thing remains unexecuted, it will be in enlargement, not in abridgment of the public rights. It is, however, presumed, that the practical construction, in the present case, will be, that the two funds pledged, will constitute an aggregate for the joint security of the moneys borrowed upon both acts.

The second general circumstance respecting the foreign loans, negotiated under the acts of the 4th and 12th of August, which requires attention, relates to the terms on which they have been obtained. These, it appears, have been represented as neither honorable nor advantageous.

The following facts, witnessed by the correspondence before the Senate, more than once referred to, and well known to all who have had opportunities of information, demonstrate that the terms of those loans have been both honorable and advantageous.

1. There is not one of them, which originated under the acts, that was not effected upon conditions equally favorable with those attending the loans of the cotemporary borrowing Powers, of the most tried resources, and best established credit, and more favorable than were obtained by some Powers of great respectability.

2. The United States took a lead in the market, in regard to the subsequent reductions of interest, having had either earlier or more complete success than any other borrowing Power.

3. From a rate of five per cent interest, and four and a half per cent. charges, which marked the level of the market when they begun their loans, they, in the course of a single year, brought down the terms to four per cent. interest, and five per cent. charges, that is, from an interest on the net sum received (including an indemnification for charges) of 5.5012, something

more than five and a half per cent., to an interest on the like sum of 4.4951, something less than four and a half per cent.

When this state of things is applied to a Government only in the third year of its existence, and to a country which had so recently emerged from a total derangement of its finances, it would seem impossible to deny that the issue is not only honorable, but flattering—unless, indeed, it can be denied, that a sound and vigorous state of credit is honorable to a nation.

I forbear a comparison between the loans of the present and of the former Government of this country, because an immense disparity of circumstances would render it an improper one—further than to take notice of a very great error, which has been, upon some occasions, advanced. It has been alleged, to disparage the management under the present, that the loans of the former Government, in a situation, comparatively, very disadvantageous, have been effected upon equal terms; and, in proof of this, an appeal has been made to the loan of 2,000,000 of guilders, at four per cent., which is that of the 9th March, 1784.

Nothing can manifest more clearly than this, the very precipitate and superficial views with which suggestions on important public subjects are sometimes made. The last four per cent. loan obtained under the existing laws, including charges, is a real four and a half per cent. loan, or, more exactly, a 4.4951 per cent. loan. The four per cent. loan, of March, 1784, is a real 6.6468 per cent. loan. The difference, which exceeds two per cent., arises, principally, from extra premiums and gratifications, which were allowed upon this loan, and which are unknown to the other.

Much praise is, no doubt, due to the exertions which effected the loans under the former Government. A superiority of merit shall readily be conceded to them, from the circumstances under which they were made, and their signal utility in the Revolution. But it is not necessary to their eulogium, to affirm, that they were made, upon equal terms with those of the loans lately obtained, or, to deny the goodness of the terms of the latter. Truth will not justify the one or the other.

The facts which have been stated, prove, that the terms of the loans are advantageous as well as honorable. They are, comparatively, advantageous, because they are as moderate as other Powers, in the best credit, have allowed; and they are absolutely advantageous, because the highest *real*, not *nominal*, rate of interest, which has been given, does not exceed 5.5012—a fraction more than 5½ per cent.; while the lowest *real* rate is 4.4951—a fraction less than 4½ per cent.

If the question, whether advantageous or not, be tested by the purposes for which the loans have been made, the conclusion is equally in their favor. The payments on account of the foreign debt were an indispensable obligation. Unless it can be shown that they might have been derived from another and more advantageous source, it will follow, that it was the interest of the Government to avail itself of the resource which has been employed, because it was its duty to discharge its obligations.

It is sometimes urged, that foreign loans, for whatever purpose, are pernicious, because they serve to drain the country of its specie for the payment of interest, and for the final reimbursement of principal; that it would be preferable, for that reason, to procure loans at home, even at a higher rate of interest.

To this, several answers may be given, some of a special, others of a general nature.

In reference to the reimbursement of the foreign debt, it may be observed, that, as a debt had already been incurred abroad, upon which interest was payable, the contracting of new loans there, for the reimbursement of that debt, would leave us, as to the demand for the exportation of our specie, just where we originally stood.

Moreover, if the money could have been borrowed at home for that reimbursement, the remittance of it would have been ruinous to the country. The mere necessity of remitting, could not, alone, have increased the foreign demand for our commodities, so as to deduce, from an extra exportation of them, the requisite means of payment; and, if our specie was to perform the office, the country would speedily have been exhausted, to a

degree inconsistent with the support of its commerce and industry. The quantity of coin in the United States has never been considerable enough for such an operation.

But this very state of things would have rendered the procuring of the money, from domestic resources, impracticable. These, it may be safely affirmed, are too limited for extensive loans, of any considerable degree of permanency.

In the last place: The expedient of domestic loans would not prevent the evil which is desired to be prevented. Foreigners would, either in the first instance, bring their moneys to subscribe them to the loans, or, they would afterwards purchase the stock arising from them; and, in either case, they would equally draw away the money of the country on account of their interest and principal. The only consequence of giving a disproportionate rate of interest for domestic loans, would be, that our specie would be carried away so much the faster.

Experience having shown, that nations sometimes pay more regard to their external than to their internal credit, this consideration co-operates with reasons of convenience, to induce moneyed men abroad, to be content with a lower rate of interest, stipulated to be paid in their own country, than if the place of payment be in another country, making even a greater differance than is an equivalent for the expense and risk of obtaining remittances.

The clear inference from these observations is, that, with regard to the reimbursement of the foreign debt, no other expedient than that of foreign loans was practicable or eligible.

The utility of that part of the loans which has reference to the purchase of the debt, has already been explained in certain views. So far as their agency has been, hitherto, concerned in that operation, it is a sufficient demonstration of the advantage of the measure, to state, that the sum invested in purchases, up to the period of the last report to Congress, has redeemed what is equal to an annuity of 6.15 per cent., including, also, the advantage of sinking a capital more than 50 per cent. greater than the sum expended.

A valuable profit will arise from the investment of the sums

on hand, either in a payment to the bank, or in the purchase of stock. The liberation of an annuity of six per cent. can be secured, while, upon a great part of the fund which is to effect it, no more than 4½ per cent. is payable, and less than 5½ upon the other part. The mean of these rates being 5 per cent., an annual saving of one per cent. may be effected, which, upon 2,000,000 of dollars, interest at 5 per cent., is equal to a capital or gross sum of 400,000 dollars—an item certainly of no inconsiderable consequence.

Against the advantages which are claimed in favor of the loan, it is natural to place the loss of interest incident to the delays which have attended their application to the purposes for which they were obtained. This leads to an examination of the cases of delay, their causes, the circumstances, if any, which counterbalance them.

There are three instances of material delay: one respecting the first loan, another the second loan, and a third, a part of the two last loans.

The first loan, it will be seen, was not applied till a considerable time after its commencement. It has been already intimated, that it was undertaken without previous authority from this country. The motives to the measure are detailed in a letter from our bankers, of the 25th of January, 1790, a copy of which accompanies the communications herewith made by order of the President. A regard to those motives led to an acceptance of the loan. Nor could it have been deemed an unfortunate circumstance, that such an auxiliary to the operations of the treasury had been previously prepared.

The laws authorizing the loans, passed the 4th and 12th of August. As early as the 28th of that month, the acceptance above mentioned was communicated, and the application of 1,500,000 florins, in a payment to France, directed. So far, no time was lost, more than could not have been avoided.

But the bills, for the sum to be brought here, were not drawn till some months after. This proceeded from an unwillingness to risk the public credit, by drawing before there was a certainty of funds to answer the drafts. It was not impossible

that the great delay which had attended the passing of the law, for borrowing, might have led the bankers to come to some arrangement with the money lenders, for surrendering the moneys paid in, and terminating the loan. Independent of this source of apprehension, they had expressed themselves, in their letter communicating the step they had taken, to this effect: "To spare the United States all possible advance of interest, while the money shall remain unappropriated, we shall issue the recipisses at the option of the buyers to take them *so late as they please*, on the expectation the three millions would be placed in a few months." This, though it announced an expectation that the moneys would be paid in, in a few months, did not render the event certain. And as the bankers appeared, from that precaution, to have adverted to the idea of saving the United States an advance of interest, it was supposable that they might have found means still further to procrastinate the payments, or a considerable part of them, till they had received a confirmation of the loan. This policy would have been the more natural, as they risked the loss of interest themselves, if the transaction should not have been finally ratified.

Under such circumstances, I thought it most prudent to defer the drafts till advice was received of the actual progress of the loans. There was no room to hesitate between the loss of a small sum in interest, and the danger of committing the public credit by a premature operation.

The second case of delay relates to the second loan. It was occasioned by a determination to suspend the orders for its application till information was received of its having been contracted for.

One motive to this determination has been already intimated, namely: the yet untried and immature state of our fiscal arrangements. The general reasoning, on this head, was strengthened by an occurrence altogether unlooked for, which disclosed itself on the 23d of August, 1790, eleven days after the rising of Congress—an occurrence which they had not contemplated in their pecuniary dispositions. I allude to the commencement of an Indian war, which was announced in a letter from Governor St.

Clair, dated on the above mentioned day, the progressive extent and consequences of which could, of course, not be foreseen. Under such circumstances, I judged it for the public interest and safety to hold the resource, which the prospect of a loan presented, under the power of the treasury, till advice should be received of the actual institution of the loan, with intention then to dispose of it as should appear advisable under a better matured view of our pecuniary situation and prospects.

Hence the delay which attended the application of the second loan; the first, in fact, that originated subsequent to the laws for borrowing. But, after advice had been received of its having been set on foot, no time was lost in converting it, with due dispatch, to its proper uses. There was only not an anticipation of its application. As early as May 24th, 1791, I wrote a letter to Mr. Short (a copy of which is in possession of the House), empowering him to apply the proceeds of all future loans, as they should accrue, in payments to France, except as to such sums as therein were, or afterwards should be, *previously* and *specially* reserved. This arrangement was calculated to obviate the inconvenience of leaving the proceeds of the loans, for any considerable time, unemployed. At the period of making it, and not sooner, the public prospects appeared to me sufficiently unfolded to render a general and permanent disposition free from hazard. This instruction preceded, in due season, all the loans subsequent to that of March, 1791.

Whatever delay, therefore, may have attended succeeding investments for paying the French debt, is not attributable to this Department: and I think it will not appear that any has been incurred, in respect to the sums which were destined for the public service here. In judging of this point, it will be proper to observe, that a latitude of six months, for making their payments, has been reserved to the money lenders, though with liberty to make them earlier. It was, however, necessary for the treasury to regulate its bills according to the possible delay, lest they should not meet adequate funds. The general policy adopted, was, to let them fall upon the rear of each loan, this giving a freer course for early payments to France, and best

conciliating a certainty of funds for answering the bills with as little double interest as possible.

It will appear, that, notwithstanding the arrangement which was made, a considerable time intervened between the two last payments to France, while there were funds in hand waiting for employment. It may be expected that the causes of this procrastination, though, as I have said, not imputable to this Department, should be unfolded to the House. Particular circumstances, however, induce me to confine myself to stating generally, that the delay proceeded, in the first place, from an expectation given to Mr. Short, and kept up, from time to time, by the French minister of marine, that a plan would be adopted, to which a decree of the National Assembly was requisite, for converting a large sum into supplies for St. Domingo; which Mr. Short concluded justly must come out of the foreign fund, and consequently suspended its application in Europe. In the second place, from a desire to settle, previously to further payments, a definitive rule, by which the moneys paid should be liquidated and credited to the United States.

Both the one and the other appears to have been procrastinated from period to period, by the disordered state of French affairs, and to have finally issued contrary to expectation. It would be an unnecessary commitment of my opinion to declare how far the delay appears to me to have been justified by the causes; but, being led by the occasion to take notice of it, I think it improper to send it abroad, liable, perhaps, to misconstruction, without observing that the inducements appear to me to have been weighty; that the delays naturally grew out of the circumstances; and that I am entirely persuaded of the goodness of the motives which governed. The correspondence before the Senate contains the particulars of the transaction.

Having pointed out the instances of material delay which happened, and the causes of them, it remains to state what circumstances there are to counterbalance the loss on that account.

These circumstances are of two kinds:

1. Gain by exchange in the sale of the bills drawn by the treasury, and upon the higher rate of interest on the credits

which were given for those bills, than was payable on the fund upon which they were drawn.

2. Gain by exchange on the payments to France.

According to my calculation, founded on the best information extant, the real par of the metals, between the United States and Amsterdam, makes a current guilder equal to $35\frac{39}{100}$ ninetieths of a dollar. The lowest rate which has been obtained for the bills, has been $36\frac{4}{10}$ ninetieths, with an allowance of sixty days credit, without interest. Making a deduction for the interest, the bills were still sold above the true par. In some instances, they have been sold as high as 40 cents and 7 mills per guilder, with interest for the whole term of the credit given.

The rate of interest, for the credits allowed upon the bills, was six per cent.; the mean interest paid upon the fund, five per cent.; producing, consequently, a gain of one per cent.

With regard to the payments to France, if the current rate of exchange between Paris and Amsterdam, at the moment of each remittance or payment, were to govern, a large profit would result to the United States; but certain equitable considerations will produce deductions, which will greatly lessen this advantage; yet, making a liberal allowance for them, there is ground to calculate that a saving may be made in this particular, more than sufficient to indemnify for the loss of interest.

Hence any positive advantage which will have been otherwise gained will probably be undiminished by that circumstance.

I proceed, in the next place, to state the views which prevailed, respecting the sums that have been from time to time drawn for, the purposes they have hitherto answered, and the further advantages to be expected from the measure.

The direct object of all the sums drawn for, prior to July, 1792, was the purchase of the debt. A collateral consideration, which operated in the first stages of drawing, has also been mentioned. It has likewise been stated, that the early purchases of the debt are to be ascribed to the instrumentality of the fund derived from the loans. This idea shall now be explained.

Two mistakes appear to have influenced the impressions which have been entertained in relation, directly or indirectly, to this

subject. First, it seems to have been all along forgotten, that a considerable part of the duties is always outstanding, on account of the credits which are given; whence the assertion, that the sinking fund has continually overflowed from domestic resources. Second, it seems to have been taken for granted that the proceeds of the loans have remained apart, distinct from the mass of the money in the treasury; while, in truth, the course of the business has been to turn them over to the treasurer, by warrants, as they have been received, so as to form a part of the aggregate, from time to time, appearing in his hands and in his accounts. The banks have been the agents employed for selling the bills. Sometimes warrants, on account, have issued upon them, for the sums accruing from the sales; at other times the warrants have been deferred till the whole proceeds of any parcel have been received, and the accounts of the bank settled at the treasury; as the state of the treasury has happened to render the one or the other most convenient.

The banks of North America and New-York were the agents for the sale of all the bills which were sold prior to April, 1792, amounting to 1,006,526 dollars and 36 cents. Of this sum, 361,391 dollars and 84 cents were passed over to the treasury, in 1791; 327,136 dollars and 22 cents, in March, 1792; and 140,000 dollars, in June following; the residue having remained, as heretofore stated, in deposit with the Bank of North America, upon a special consideration. This is exclusive of certain bills furnished for the use of the Department of State, amounting to 78,766 dollars and 67 cents.

The remainder of the bills which have been sold, beginning in April, 1792, were sold by the Bank of the United States, and its branches at New-York and Baltimore. The accounts of the sales had just been made out for settlement when the present inquiry began, but warrants had not yet issued for placing the proceeds in the treasury. It will be remarked, that, from the terms of credit allowed, they only began to be receivable in October last, the 26th day of which month, the first return made by the bank shows a sum of 127,225 dollars and 53 cents received, and that the collection had not been completed when the accounts of the sales were rendered.

There are different views of the subject, which will enable the House to perceive that the possession of the fund in question was necessary to enable the treasury to furnish the means of making all the purchases which were made prior to July, 1792.

It is true, that there was a surplus of revenue to the end of the year 1790, equal to 1,374,656 dollars and 40 cents, which was appropriated to purchases of the debt; and, from the credits then given upon the duties, this surplus would naturally come into the treasury, in the course of the year 1791.

But the Legislature, foreseeing that the revenue of 1791, from the same cause, could not actually be in the treasury, within that year, to face the appropriations upon it (which, it is to be observed, were nearly commensurate with the fund), inserted a clause in the law appropriating the surplus of 1790 to the purchase of the debt, which authorized a reservation of so much of that surplus as might be necessary to make the payments of interest during 1791, in case of a deficiency in the receipts into the treasury, on account of the current revenue of the year.

It will appear to the House, upon a recurrence to the treasurer's quarterly account, ending the 30th September, 1791. that the balance of cash, then on hand, was 662,233 dollars and 99 cents.

At that time, there had been paid into the treasury, upon warrants, from the proceeds of the bills drawn upon the foreign fund, $361,391 dollars and 34 cents; consequently, the balance of cash, had it not been for that auxiliary, would have been only 300,842 dollars and 65 cents, considering the whole balance in the treasury as representing an equal sum of the proceeds of the bills.

Even in a time of complete peace, in a country where a small extent of moneyed capital forbids a reliance upon large pecuniary aids to be suddenly obtained, a prudent administrator of the finances could not feel entirely at ease with a less sum, at all times in the certain command of the treasury, than 500,000 dollars, for meeting current demands and extra exigencies, which, in the affairs of a nation, are every moment to be expected. But, with a war actually on hand, and a possibility of its extension to a more

serious length, he would be inexcusable in leaving himself with a less sum at command, unless from an impracticability of doing otherwise. It would be always his duty to combine two considerations—the chance of extra calls for money, and a possibility of some failure in the receipts which were expected. Derangements of various kinds may happen in the commercial circle, capable of interrupting, for a time, the punctual course of payments to the treasury. It is necessary, to a certain extent, to be prepared for such casualties.

But, during the year 1791, there was a circumstance which operated as an additional reason for keeping a respectable sum always on hand. The loans of the domestic debt were going on, till the last of September of that year; while, at the same time, the interest was in a course of payment. It was, therefore, always uncertain what sum would be payable at the end of a quarter; this depending on the eagerness or backwardness of the public creditors in bringing forward their subscriptions, or their claims as non-subscribers. The omissions, at the end of a preceding quarter, might be expected to fall upon a subsequent one; and it was necessary to be prepared for that possibility; of course, to keep in hand a larger fund for contingent demands. This necessity extended to the termination of the period for receiving subscriptions; because the treasury was to be prepared on the supposition that the whole of the domestic debt would then be in a state to receive interest, either as *subscribed* or *unsubscribed*. But this did not, in fact, happen. A part of the sums, which were presented, were crowded into the last days of the quarter, and were too late for a dividend. A considerable sum remained, ultimately, in a form which, according to the terms of the provision, did not entitle it to interest, either as *subscribed* or as *unsubscribed* debt.

Hence the cash in the treasury, on the 1st of October, 1791, was, by a considerable sum, greater than was to have been counted upon, or than might have happened.

The conclusion which results from the foregoing observations, is this: that the purchases which preceded the 1st of October, 1791, and which amounted to 699,984 dollars and 23 cents in

specie, could not have been hazarded, but for the aid of the sums which had actually accrued from the proceeds of the bills, and the expectation of those which were to accrue from the yet uncollected proceeds of others.

Had it not been for this aid, the treasury would have been left more bare than was consistent with the security of public credit and the certain execution of the public service.

There is, however, a later period in the state of the treasury, which will more completely illustrate the idea intended to be established. This is the 2d of July, 1792.

On that day, the balance of cash in the treasury, comprehending the deposites in all the banks, and including a sum of 200,000 dollars, received on loan, of the Bank of the United States, together with a sum of 220,900 dollars in bills drawn upon domestic funds, the proceeds of which had not been received, was 623,133 dollars and 61 cents.

Prior to this period, a further sum of 545,902 dollars and 89 cents, arising from the sales of foreign bills, had been placed in the treasury, by warrants, making, with the former sums placed there, from the same source, 907,294 dollars and 23 cents.

Had it not been for this auxiliary, and that of the loan from the bank, the treasury would then have been in arrear 484,160 dollars and 62 cents. It, therefore, necessarily follows, that, for the purchases to that period, which amounted, in specie, to 942,672 dollars and 54 cents, at least 484,160 dollars and 62 cents must have come from the foreign fund.

But, when it is considered, for the reasons which have been stated, and which will hereafter be fortified by others, tending as I conceive to give them conclusive force, that the sum in the treasury at the period in question, was barely what ought to have been there for safety, and for a due supply of current demands; it will follow that the whole, or nearly the whole of the purchases, which were made previous to July, 1792, were made by the means or instrumentality of the foreign fund.

A similar view, extended to the subsequent quarter, will exhibit this point in a still clearer light. The balance then in the treasury, including a further loan from the bank of 100,000 dollars, was only 420,914 dollars and 51 cents.

What, then, it may be asked, became of the surplus revenue to the end of the year 1790? what was the office performed by that fund during the period in question?

The answer is, that it served exactly the purpose which was anticipated by the Legislature. It came in aid of the current receipts for satisfying the current expenditures of 1791, with particular reference to the interest of the debt. This will easily be comprehended when it is recollected that the appropriations made during 1791, upon the revenues of that year, and some small surplusses of antecedent appropriations, amounted to three millions six hundred and thirty-seven thousand and fifty-eight dollars and thirty-four cents; that the revenues themselves amounted to no more than three millions five hundred and fifty-three thousand one hundred and ninty-five dollars and eighteen cents; and that, at the end of 1791, there were outstanding, in bonds for the duties on imports, besides the chief part of the proceeds of the duties on spirits distilled within the United States, then also uncollected, 1,828,269 dollars and 28 cents.

On this point, likewise, of the surplus of revenue to the end of 1790, it is presumable a misapprehension has been entertained. It seems to have been supposed, that that surplus, as well as the proceeds of the foreign fund, have been kept separate and distinct from the common mass of the moneys appearing from time to time to be in the treasury.

It has been already observed, that this was not the case with regard to the foreign fund. It is now proper to add, that it has not been the case, either, with regard to the surplus in question. That surplus, as received by the collectors of the customs, has regularly passed into the treasury, and appears in the quarterly accounts of the Treasurer for the periods to which they relate.

It is the course of the treasury, resulting from the constitution of the department, for all moneys from whatever source, to be brought into it, to constitute an aggregate, subject to the dispositions, prescribed by law. The moneys to be employed in the sinking fund, have consequently only been separated, as they have been called for, *for actual investment.* The only exception to this, relates to that part of the sinking fund which is created

by the interest of the debt purchased. This has been included in the quarterly dividends, and covered by the warrants in favor of the cashiers of the banks for paying those dividends, after which, they have passed into a distinct account, in the books of the bank opened with Samuel Meredith, as agent to the commissioners of the sinking fund.

To the foregoing representation, it may seem an objection, that the purchases to the end of 1791 appear to have been carried to the account of the surplus at the end of 1790.

The ultimate form which it has been judged convenient to give to the transaction, in the accounts of the treasury, cannot change what was truly the course of facts. The proceeds of the above mentioned surplus and of the foreign loans, formed together the fund for purchases. In the accounts of the treasury, the thing was susceptible of various modifications at pleasure. The two parts of the fund might have been united in one account, or divided into distinct accounts. Being separated, moneys issued for purchases might have been legally carried to either of them.

It was judged most advisable, in the forms of the treasury, to place the purchases to the end of 1791, to the account of the domestic fund, because it was calculated to give greater latitude and energy to the sinking fund. Had not this course been pursued, the business would have taken the following shape: the foreign fund, to the extent of the purchases, would have been exhausted: the whole, or the greater part of the surplus of 1790, would have continued wrapt up in the expenditure of 1791, not liable to be liberated till the *receipts* into the treasury should yield a correspondent surplus beyond the *actual disbursements*—which could not have been the case, while the war with the Indians continues to call for extraordinary expenditures.

From the form into which the thing has been thrown, the foreign fund has been set free to be applied to further purchases; and a necessity produced of anticipating the outstanding duties, by temporary loans for the current service.

I trust there can be no doubt that the course pursued was regular, and within the discretion of the Department. I hope,

also, that it will appear to the House to have been the most eligible. The expediency of giving the earliest and greatest possible extent and activity to whatever concerns the sinking fund, will, it is presumed, unite all opinions.

What has been said hitherto respecting the employment of the foreign fund, is applicable only to that part of it which was drawn for, prior to April, 1792; the residue standing in a different situation, and requiring a separate examination.

From the statement which has been given, it may be perceived that the fund in question has neither been idle nor useless. A confirmation of this will be found in the following details:

The whole sum successively received on account of Amsterdam bills, up to the 17th of August, 1791, was 361,391 dollars and 84 cents. The amount of the moneys invested in purchases prior to that day, was 350,000 dollars, chiefly by anticipation of those receipts.

The whole sum successively received on account of Amsterdam bills, from August 17, 1791, to March 1, 1792, was 408,722 dollars and 69 cents. The amount of the moneys invested in purchases between those periods, was 349,984 dollars and 23 cents, chiefly in the month of September, and by anticipation of those receipts.

The whole sum successively received on account of Amsterdam bills, subsequent to the 1st of March, and prior to July, 1792, was 235,412 dollars and 33 cents. The amount of the moneys invested in purchases between those periods, was 242,688 dollars and 31 cents.

It was stated in my first letter, that 177,998 dollars and 80 cents, of the proceeds of the foreign bills, were left in deposit with the bank of North America; and in a note upon statement B, accompanying that letter, the occasion of it was shewn to be an advance without interest, made by that bank, for the use of the Department of War; which could not yet be covered, in consequence of a doubt still remaining, whether the fund appropriated for satisfying that object was adequate to it—the sufficiency of that fund depending in part on certain unexpended residues of antecedent appropriations, which it was expected

would not be finally necessary for satisfying the purposes of those appropriations.

It is to be remarked, that the delay of the employment of this part of the proceeds of the foreign fund, has been compensated by a saving of interest on the sum advanced by the bank, which otherwise must have been procured upon a loan with an allowance of interest, probably at the time of the advance, at a rate of 6 per cent.; so that, even in this particular, the fund, though temporarily suspended from its destination, has not been idle or unproductive. I reserve for another place some additional observations and statements, which will be calculated to shew that opportunities of investing the moneys at any time on hand, applicable to purchases of the debt, were not suffered to pass unimproved, and that as much in this respect was done as the state of the treasury and the state of the market would permit.

It has been said, that a distinct examination would be proper with regard to the bills which have been drawn upon the foreign fund, subsequent to March, 1792. I proceed now to this examination.

The expediency of what has been, in this respect, done, seems to have been called in question, under a suggestion, that an application of the fund to purchases had ceased to be advantageous.

The drawing of these bills has been at different periods influenced by various considerations. A leading motive was always the purchase of the debt. And a correct view of the subject will, I doubt not, satisfy the House, that the measure was recommended by an adequate prospect of advantage.

It is to be observed, that all these drafts were predicated upon the two four per cent. loans; being, as already stated, real 4½ per cent. loans.

There was good ground to presume, that opportunities would be found of investing the moneys drawn for in purchases which would yield at least 5 per cent. with a possibility of doing still better. The difference of ½ per cent. was alone an object of importance; but it would be coupled with the further benefit of reducing a principal sum materially exceeding the sum invested.

When the three per cents are purchased at 12*s.* in the pound, there is not only a redemption of an annuity of 5 per cent. but a sinking of a capital of 20*s.* for 12. And though this might not be material, if the market rate of interest should never fall below 5, because in that case the three per cents might always be purchased at the same rate; yet if it should at any time happen, that interest fell below 5, it would be a gain to the Government to have purchased at 5, in exact proportion to the difference between 5 and the then market rate. Add to this, that the 3 per cents have generally a value in the market more than proportioned to the income they produce, which arises from the capacity of the capital to appreciate even to par. These observations are also for the most part applicable to the deferred, with this circumstance in addition, that, when interest begins to be payable on that species of stock, the money invested, and which, in the mean time, would have produced five, would then begin to produce to the Government 6 per cent. with the advantage of having anticipated the redemption of a species of stock of right only gradually redeemable. Combining these considerations, it appears to be clearly and even eminently for the interest of the Government to purchase within the limit suggested, with a fund which does not cost more than 4½ per cent.

That this was the view of the subject which governed, is deducible not only from the circumstances of the fact, but from my letter of the 2d of April, 1792, to Mr. Short, announcing my intention to draw, in which I assign as the ground of that intention, "that I considered it for the interest of the United States to prosecute purchases of the public debt with moneys borrowed on the terms of the last loan," meaning the loan of the 1st of January, 1792, at 4 per cent.

If the event be taken as a criterion, the anticipation will be more than justified, the present juncture offering an opportunity for purchases peculiarly advantageous.

But, without insisting on a state of things occasioned by extraordinary circumstances, it was morally certain that the common course of events would render the operation a beneficial one. And it would not argue peculiar foresight, if a calculation was

even made on the effect which the situation and probable progress of affairs in Europe might produce upon our market. A pretty general war there, by extending the demand for money, would naturally divert from our stocks a portion of what might otherwise be employed upon them, and effect injuriously their prices. It is, also, a familiar fact, that, during the winter, in this country, there is always a scarcity of money in the towns—a circumstance calculated to damp the prices of stock.

A consideration, which collaterally influenced the drawing of the latter bills, was the situation of the French colony of St. Domingo.

This not only produced an early application for a considerable advance, which was promised, but it was to be foreseen, that still further aids would be indispensable.

Indeed, sundry letters from Mr. Short, the first dated at Paris the 28th December, 1791, announced the daily probability of an arrangement, requiring an advance here of 800,000 dollars for the use of that colony. A sum of 4,000,000 of livres has in fact been sucessively stipulated for that object, the greatest part of which has been actually furnished.

It is known that these supplies could proceed from no other source than the foreign fund.

The payment to the foreign officers of near 200,000 dollars, by which an interest of 6 per cent. would be released, was another object for which provision was to be made out of the same fund.

These several purposes conspired with the object of purchasing the debt to induce the latitude of drawing, which took place.

But there was still a further inducement which came in aid of the others. The time for reimbursing the first instalment of the two millions of dollars due to the bank was approaching, when, by positive stipulation, the Government would have to pay two hundred thousand dollars, for which there was no domestic fund that could be spared from the current exigencies. I thought it incumbent upon this department to have an eye to placing within the reach of the Legislature the means of fulfill-

ing this engagement; the object of which bore a strict analogy to that for which the two millions authorized by the act making provision for the reduction of the public debt were to be borrowed.

I did not even scruple to take into the calculation, that if, from the extent of the draughts upon the foreign fund, there should happen to be found on hand a larger sum than was necessary for, or could be advantageously employed towards the several purposes which were the immediate and direct objects of the operation, the surplus would facilitate to the Government a measure manifestly and unequivocally beneficial—an additional payment to the bank, on account of a debt, upon which an annual interest of 6 per cent. was payable; a measure by which a certain saving of one per cent. to the extent of the payment that might be made would be accomplished.

The possibility of this application of the fund afforded a perfect assurance, that the public interest could in no event fail to be promoted.

I felt myself the more at liberty to do it, because it did not interfere with a complete fulfillment of the public engagements in regard to the foreign debt. It could be done consistently with a full reimbursement of all arrears and instalments which had accrued on account of that debt.

The detail which has been given, comprehends a full exposition of the views and motives that have regulated the conduct of this Department in relation to those parts of the proceeds of the foreign loans which have been transferred to the United States, except as to the last sum of one million two hundred and thirty seven thousand five hundred florins, directed to be drawn for on the 30th of November last; in regard to which, circumstances of a special nature co-operated, as is explained in a note upon the copy of my letter of the 26th of that month, to Mr. Short, forming a part of the communication herewith made by order of the president of the United States

The House will perceive, that the variety of matter comprised in this letter has not been collected and digested into its present form, without much labor and unavoidable expense of

time. I trust they will be sensible, that no delay has been unnecessarily incurred. It is certain that I have made every exertion in my power, at the hazard of my health, to comply with the requisitions of the House as early as possible. And it has even been done with more expedition than was desirable to secure the perfect accuracy of the communication.

Yet I have still to regret that some part of the subject must remain to be presented in a subsequent letter. To lessen, however, the inconvenience of this further delay, I shall transmit with the present letter, the statements required by the first and second of the resolutions of the 23d of January, which will be found in the schedules herewith, marked No. I to V.; those required by the last of the resolutions having been already forwarded.

There remain, however, some particulars to complete the information contemplated by those resolutions, that must be reserved for another communication. This I may venture to assure the House will not be deferred beyond the present, or at least the first day of the ensuing week.

With perfect respect, I have the honor to be, Sir,

Your most obedient and most humble servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Honorable the Speaker
of the House of Representatives.

No. I.—A Statement of the appropriation for reducing the Public Debt, constituted by the Act of Congress passed on the 12th day of August, 1790.

No. II.—A Statement of the application of the funds drawn on the appropriation of the surplus of duties to the end of the year 1790, for the reduction of the Public Debt.

No. III.—A Statement of the application of the Fund constituted by the Act of Congress, passed on the 8th of May, 1792, for reducing the Public Debt, arising from the interest on the sums of said debt purchased, redeemed, and paid into the Treasury of the United States.

No. IV.—Quarterly Statement of cash in the hands of the Treasurer of the U. S., for the year 1791.

No. V.—Statement of cash in the Treasury, during the year 1792, showing the balance on hand half monthly.—*State Papers—Finance*, Vol. I., 210 to 214.

TREASURY DEPARTMENT, February 13, 1793.

SIR:

In obedience to an order of the President of the United States, founded upon the requests contained in two resolutions of the House of Representatives of the 23d of January last, I have the honor to lay before the House—

1. The several papers numbered 1, 2, 3, 4, being copies of the authorities under which loans have been negotiated, pursuant to the acts of the 4th and 12th of August, 1790.

2. Sundry letters, as per list at foot, from the Secretary of the Treasury to William Short, Esq, and to Wilhem and J. Willinks, N. and J. Van Staphorst and Hubbard, being copies of the authorities respecting the application of the moneys borrowed.

3. Statement A, showing the names of the persons by whom, and to whom, the respective payments of the French debt have been made in Europe, specifying the dates of the respective payments, and the sums. With regard to the precise dates of the respective drafts which may have been drawn, or orders which may have been given by Mr. Short to our bankers, for making those payments, they cannot be furnished, not being known at the treasury. It is, however, to be inferred, from the correspondence and circumstances, that they preceded but a short time the respective payments to which they related.

Statement B, showing by whom the payments have been made, on account of the Dutch loans, the dates, and the sums. As to the persons to whom the payments were made, no specification is practicable, these being the numerous subscribers to the several loans, their agents or assignees. It has never been considered, either under the former or present Government, as interesting to the treasury to know who those individuals were. Indeed, by the transfers always going on, they are continually changing. The demand for a communication of their names would have been unprecedented, and the disclosure, from time to time, would have been attended with a great deal of useless, but expensive trouble.

The statement desired, in reference to the Spanish debt, cannot be furnished. In a note upon statement No. 1, of my

late report concerning foreign loans, it is mentioned, "that advice had been received that the payment of this debt was going on, though it had *not been completed.*" This appears by letters from Mr. Short, now before the Senate, dated August 30th, and October 9th and 22d. No advice of the completion of the payment has been since received. All that is known is, that our bankers were procuring bills under orders from Mr. Short, for the purpose of remitting to Spain the sum necessary to discharge her debt.

There will be seen a difference in the statement now presented, and No. 1 of my late report, concerning foreign loans, as to the date of the last payment to France. In one, the 9th of August is mentioned, in the other, the 6th of September. The fact is, that it had its inception some time in August, but was not perfected till the 6th of September. Mr. Morris, who had been charged by Mr. Short with endeavoring to adjust, with the French treasury, the rule by which the payments that had been, and might be made, should be liquidated into livres, having regard to certain equitable considerations, made an arrangement with it, provisionally, for the payment of 1,641,250* florins, and wrote to Mr. Short, requesting that he would direct the payment to be completed. There appear to have been two letters from Mr. Morris on the subject, one dated the 6th, the other the 9th of August. But Mr. Short, for reasons which he explains in his correspondence, now before the Senate, did not consummate the payment till the 6th of September. One statement has reference to the beginning, the other, to the conclusion of the affair.

I am instructed by the President to observe, that there are some circumstances in the communications now made, which would render a public perusal of them not without inconvenience.

With perfect respect, I have the honor to be, sir,

Your most obedient and most humble servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Hon. the Speaker of the
House of Representatives.

* 1,625,000 Banco.

No. 1.

George Washington, President of the United States of America, to the Secretary of the Treasury for the time being.

By virtue of the several acts, the one, entitled "An act making provision for the debt of the United States," and the other, entitled "An act making provision for the reduction of the public debt," I do hereby authorize and empower you, by yourself, or any other person or persons, to borrow, on behalf of the United States, within the said States, or elsewhere, a sum, or sums, not exceeding, in the whole, fourteen millions of dollars, and to make, or cause to be made, for that purpose, such contract, or contracts, as shall be necessary, and for the interest of the said States, subject to the restrictions and limitations in the said several acts contained; and, for so doing, this shall be your sufficient warrant.

In testimony whereof, I have caused the seal of the United States to be hereunto affixed.

Given under my hand, at the city of New York, this twenty-eighth day of August, in the year of our Lord one thousand seven hundred and ninety.

GEORGE WASHINGTON.

By the President:

TH: JEFFERSON.

No. 2.

George Washington, President of the United States of America, to the Secretary of the Treasury for the time being.

Having thought fit to commit to you the charge of borrowing, on behalf of the United States, a sum, or sums, not exceeding, in the whole, fourteen millions of dollars, pursuant to the several acts, the one, entitled "An act making provision for the debt of the United States," the other, entitled "An act making provision for the reduction of the public debt."

I do hereby make known to you, that, in the execution of the said trust, you are to observe and follow the orders and directions following, viz: Except where otherwise especially directed by me, you shall employ, in the negotiation of any loan or loans, which may be made in any foreign country, William Short, Esq. You shall borrow, or cause to be borrowed, on the best terms which shall be found practicable, (and within the limitations prescribed by law as to time of re-payment and rate of interest) such sum or sums, as shall be sufficient to discharge, as well all instalments, or parts of the principal of the foreign debt which now are due, or shall become payable to the end of the year one thousand seven hundred and ninety-one, as all interest and arrears of interest, which now are, or shall become due, in respect to the said debt, to the same end of the year one thousand seven hundred and ninety-one. And you shall apply, or cause to be applied, the moneys which shall be so borrowed, with all convenient despatch, to the payment of the said instalments, and parts of the principal and interest, and arrears of the interest of the said debt. You shall not extend the amount of the loan which you shall make, or cause to be made, beyond the sum which shall be necessary for completing such payment, unless it can be done upon terms more advantageous to the United States than those upon which the residue of the said debt shall stand or be. But, if the said residue, or any part of the same, can be paid off by new loans, upon terms of advantage to the United States, you shall cause such further loans as may be requisite to that end, to be made, and the proceeds thereof to be applied accordingly. And for carrying into effect the objects and purposes aforesaid, I do, hereby, further empower you to make, or cause to be made, with whomsoever it may concern, such contract or contracts, being of a nature relative thereto, as shall be found needful, and conducive to the interest of the United States.

If any negotiation with any prince or state to whom any part of the said debt may be due, should be requisite, the same shall be carried on through the person, who, in capacity of minister, chargé des affaires or otherwise, now is, or hereafter

shall be charged with transacting the affairs of the United States, with such prince or state; for which purpose I shall direct the Secretary of State, with whom you are in this behalf to consult and concert, to co-operate with you.

Given under my hand at the city of New York, this twenty-eighth day of August, in the year of our Lord one thousand seven hundred and ninety.

GEO. WASHINGTON.

No. 3.

To all to whom these presents shall come:

Whereas by an act passed the fourth day of August, in this present year, entitled "An act making provision for the debt of the United States," it is, among other things, enacted, that the President of the United States be authorized to cause to be borrowed, on behalf of the United States, a sum or sums, not exceeding in the whole twelve millions of dollars, and that so much of that sum as may be necessary to the discharge of the said arrears and instalments, and (if it can be effected upon terms advantageous to the United States) to the paying off the whole of the said foreign debt, be appropriated solely to those purposes; and that the President be, moreover, further authorized to cause to be made, such other contracts respecting the said debt as shall be found for the interest of the said States: Provided nevertheless, that no engagement nor contract shall be entered into, which shall preclude the United States from reimbursing any sum or sums borrowed, within fifteen years after the same shall have been lent or advanced:

And whereas, by another act, passed the twelfth day of August, in the present year, entitled "An act making provision for the reduction of the public debt," it is also, among other things, enacted, that the President of the United States be authorized to cause to be borrowed, on behalf of the United States, a sum, or sums, not exceeding in the whole two millions of dollars, at an interest not exceeding five per cent:

And whereas, by virtue of the said several acts, the President of the United States of America hath been pleased, by a certain commission or warrant, under his hand, to authorize and empower the Secretary of the Treasury for the time being, by himself, or any other person or persons, to borrow, on behalf of the United States, within the said States, or elsewhere, a sum, or sums, not exceeding, in the whole, fourteen millions of dollars, and to make, or cause to be made, for that purpose, such contract or contracts as shall be necessary, and for the interest of the said States, subject to the restrictions and limitations in the said several acts contained: And whereas Messrs. Wilhem and Jan Willink, and Nicholaas and Jacob Van Staphorst, and Hubbard, have, by letter, bearing date the twenty-fifth day of January, 1790, communicated to me, that they have entered into a certain provisional agreement or arrangement, for a loan of three millions of florins, for the use of the United States of America, bearing an interest of five per centum per annum, and reimbursable by yearly instalments, of six hundred thousand florins, commencing in the year one thousand eight hundred and one, and ending in the year one thousand eight hundred and five: And whereas it appears to me for the interest of the said United States to accept the said loan:

Now, therefore, be it known: That I, Alexander Hamilton, Secretary of the Treasury of the United States for the time being, by virtue of the power and authority in me vested, by the said President of the United States, and in his name, and on behalf of the United States of America, and to their use, do, by these presents, accept, agree to, ratify, and confirm, the loan aforesaid, provisionally undertaken by the said Wilhem and Jan Willink, and Nicholaas and Jacob Van Staphorst, and Hubbard. And I do hereby, authorize and empower the said Wilhem and Jan Willink, and Nicholaas and Jacob Van Staphorst, and Hubbard, or, in case of the death of any of them, the survivors, to borrow, on behalf of the United States, either by way of confirmation of the said provisional agreement, or otherwise, as need may be, a sum, or sums, not exceeding in the whole, three millions of florins, subject to the restrictions and limitations in the

said several acts contained and above recited; and for that purpose, in the name of the said President, on behalf of the United States of America, to execute such contracts, obligations, and instruments, as shall be necessary, and conformable to usage, in the like cases, and the faith of the United States to pledge for the performance of the terms thereof; and if the same shall be deemed requisite, to stipulate for the ratification thereof by the President of the United States; hereby giving and granting to the said Wilhelm and Jan Willink, and Nicholaas and Jacob Van Staphorst, and Hubbard, and the survivors of them, all my power and authority, in the premises, and ratifying, allowing, and confirming, whatsoever they shall lawfully do therein.

In testimony whereof, I have caused the seal of the treasury to be affixed to these presents, and have hereunto subscribed my hand, the twenty-eighth day of August, in the year of our Lord one thousand seven hundred and ninety.

ALEXANDER HAMILTON,
Secretary of the Treasury.

No. 4.

To all to whom these presents shall come:

Whereas, by an act passed the fourth day of August, in this present year, entitled "An act making provision for the debt of the United States," it is, among other things, enacted, that the President of the United States be authorized to cause to be borrowed, on behalf of the United States, a sum, or sums, not exceeding in the whole twelve millions of dollars, and that so much of that sum as may be necessary to the discharge of the said arrears and instalments, and (if it can be effected upon terms advantageous to the United States) to the paying off the whole of the said foreign debt, be appropriated solely to those purposes; and that the President be, moreover, further authorized to cause to be made, such other contracts respecting the said

debt, as shall be found for the interest of the said States: Provided nevertheless, that no engagement nor contract shall be entered into, which shall preclude the United States from reimbursing any sum, or sums borrowed, within fifteen years after the same shall have been lent or advanced:

And whereas, by another act, passed the twelfth day of August, in the present year, entitled "An act making provision for the reduction of the public debt," it is, also, among other things, enacted that the President of the United States be authorized to cause to be borrowed, on behalf of the United States, a sum or sums not exceeding in the whole two millions of dollars, at an interest not exceeding five per cent.:

And whereas, by virtue of the said several acts, the President of the United States of America hath been pleased, by a certain commission or warrant, under his hand, to authorize and empower the Secretary of the Treasury for the time being, by himself, or any other person or persons, to borrow, on behalf of the United States, within the said States, or elsewhere, a sum or sums, not exceeding, in the whole, fourteen millions of dollars, and to make, or cause to be made, for that purpose, such contract or contracts as shall be necessary, and for the interest of the said States, subject to the restrictions and limitations in the said several acts contained:

Now, therefore, know ye: That I, Alexander Hamilton, Secretary of the Treasury of the United States for the time being, by virtue of the said commission, power or warrant, of the President of the United States of America, have authorized and empowered, and, by these presents, do authorize and empower William Short, chargé des affaires of the United States at the court of France, to borrow, on behalf of the United States, in any part of Europe, a sum or sums, not exceeding, in the whole, fourteen millions of dollars, and to make, or cause to be made, for that purpose, such contract or contracts as shall be necessary, and for the interest of the said States; subject to the restrictions and limitations in the said several acts contained; and for so doing this shall be his sufficient warrant.

In testimony whereof, I have caused the seal of the treasury to be affixed to these presents, and have hereunto subscribed my hand, the first day of September, in the year of our Lord one thousand seven hundred and ninety.

ALEXANDER HAMILTON,
Secretary of the Treasury.

A.—Statement showing the dates and sums of the respective payments which have been made on account of the debt due to France, out of the Dutch and Antwerp loans; and by whom, and to whom, the moneys were remitted or paid.

B.—Statement showing the respective payments which have been made by William and John Willink, Nicholas and Jacob Von Staphorst, and Hubbard, in Amsterdam, to individuals, upon the several loans made in Holland, on account of the United States.

PUBLIC FUNDS.

Communicated to the Senate, February 14, 1793.

TREASURY DEPARTMENT, February 14, 1793.

SIR:

I have the honor to transmit, herewith, in further pursuance of the order of the Senate, of the 23d of January past, three several statements, marked A, B, C.

A being a general account of revenue and appropriations: exhibiting, on one side, all the income of the United States, except from the proceeds of loans, foreign and domestic, to the end of the year 1792; on the other, the respective amounts of all the appropriations which have been made by law, to the same period.

B being a general account of appropriations and expenditures to the same end of the year 1792. This statement takes up the excess of the appropriations beyond the expenditure, to the end of the year 1791, as contained in the account of receipts and expenditures, reported to the House of Representatives during the present session; and, including all the subsequent appropriations and expenditures to the end of 1792, shows the balance unsatisfied of each head of appropriation.

C being an explanatory statement, for the purpose of showing a conformity between the aggregate of the balances of appropriations unsatisfied, and the balance of the public income beyond the public expenditure, to the end of the year 1792, as represented in the statement B, heretofore reported.

It will be observed, that the most considerable item among the balances of appropriations, is for interest on the public debt —amounting to one million three hundred and ninety-five thousand eight hundred and twenty-four dollars and sixty-five cents. This happens in three ways. 1st. The interest on the foreign part of the debt has been paid in Europe, out of the proceeds of the loans; the sum paid will consequently require to be replaced out of the domestic funds, and will operate as if an equal sum had been transferred here by drafts. 2d. The payment of interest to certain States, upon the difference between their quotas of the assumed debt, and the sums subscribed upon the first loan, has been suspended, in consequence of the opening of the second loan, to avoid a double payment of interest, first to the States, and next to the subscribers, which might otherwise happen. 3d. There is a part of the public debt which has continued in a form that has not entitled the holders, under the existing laws, to receive interest either as subscribers or non-subscribers.

There are certain arrears of interest, on the part of the debt entitled to interest, which did not come into the accounts of the year 1792.

This balance of interest, however, will be a real future expenditure, as, indeed, will be the case with regard to most of the other balances of appropriations. There will be surpluses, but these surpluses cannot exceed, if they equal, the sum mentioned in my letter of the 4th instant, to the House of Representatives.

With perfect respect, I have the honor to be,

Sir, your obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

To the Vice President of the United States and
President of the Senate.

* See State Papers, Finance, Vol. I. pp. 218.

A.—Statement of the Revenue of the United States, and appropriations charged thereon to the end of the year 1792.

B.—General Statement of the Appropriations made by law, and of the Expenditures of the United States in relation thereto, from the first day of January to the last day of December, 1792.

C.—Statement exhibiting the Debts charged upon the unexpended and uncollected income of the United States on the last day of the year 1792.

LOANS.

Communicated to the House of Representatives, February 20, 1793.

TREASURY DEPARTMENT, February 19, 1793.

SIR:

The last letter which I had the honor to address to the House of Representatives, contained a pretty full exposition of the conduct and views of this Department, in regard to the foreign loans. There remain, however, some incidental topics, which it may not be expedient to pass over in silence.

In order to carry the attention of the House immediately to a just application of the remarks which will be submitted, it is necessary to premise, that it is known to have been suggested that the proceeds of the foreign bills drawn for to this country, had no object of public utility—answered none—and were calculated merely to indulge a spirit of favoritism towards the Bank of the United States.

It has already been shown, clearly I trust, that, but for the instrumentality of the parts of the loan drawn for prior to April, 1792, amounting nearly to one-half of the whole sum, the purchases of the debt which were made to that time, could not have been made; and that these purchases, besides being *the object designated by law*, for the application of the fund, were productive of positive and important advantages.

How far the operation could have been influenced by motives of favor to the Bank of the United States, the following facts will still more completely decide.

That bank did not begin its operations till the 12th of December, 1791.

The Banks of North America and New-York were the agents of the treasury for the sale of the bills in question. They sold them, collected, and, with the exception which will be presently stated, disbursed the proceeds.

The receipts on account of those bills began in March, 1791, and concluded in March, 1792.

On the 31st of December, 1791, as the Treasurer's account before the House will show, the public cash was deposited as follows:

In the Bank of the United States,	$133,000 00
Bank of North America,	471,972 28
Bank of New-York,	224,677 35
Bank of Massachusetts,	65.578 22
Bank of Maryland,	50,665 29
Bank of Providence,	7,969 61
Making, together,	$953,862 75

There was then also some moneys in the Banks of North America and New-York, in a course of receipt, which had not been passed over to the treasurer; but all the public moneys, of whatever kind, in the Bank of the United States, are included in the above sum of 133,000 dollars, which had arisen from the duties on imports and tonnage.

It appears, then, that, on the 31st of December, 1791, no transfer for the benefit of the Bank of the United States had been made; and that the deposites of the Government there (exclusive of the proceeds of the bills remaining in the two banks, of North America and New-York), amounted to little more than one-fourth of the deposites in the Bank of North America, and little more than one-half of those in the Bank of New-York.

As late as the 1st of February, the State banks continued to share with the Bank of the United States a large proportion of

the public deposites. The state of the treasury then was as follows, viz.:

In the Bank of the United States,	$456,278	90
Bank of North America,	151,516	32
Bank of New-York,	128,708	21
Bank of Massachusetts,	71,215	55
Bank of Maryland,	49,583	25
Bank of Providence,	7,969	61
Making, together,	$865,271	84

A concentration of the public deposites in the Bank of the United States was a measure which grew out of the relation between that establishment and the Government. Yet, instead of hastening it through favor, it was resolved to let it have a gradual course; so as to consult, in a due degree, the convenience of the other banks, and to effect it rather by letting the public disbursements fall upon the moneys in those banks than by direct transfer.

But a state of things took place in the month of February, between the Banks of the United States and North America, which rendered a more expeditious transfer than was meditated, for the mutual convenience of the two institutions.

The effect of this was, that the state of the treasury, on the 1st of March, stood as follows:

In the Bank of the United States,	$692,959	06
Bank of Massachusetts,	31,769	05
Bank of New-York,	32,352	52
Bank of North America,	31,515	74
Bank of Providence,	8,404	94
Bank of Maryland,	34,752	85
Making, together,	$831,754	16

But at this time, there was in the Bank of New-York, from the proceeds of the foreign bills, 121,984 dollars and 71 cents, not transferred to the account of the Treasurer.

This accumulation, however, in the Bank of the United States, was of very short duration.

On the 1st of April ensuing, the state of the public cash was as follows:

In the Bank of the United States,	$359,643	64
Bank of New-York,	254,930	41
Bank of North America,	31,515	74
Bank of Massachusetts,	37,712	58
Bank of Providence,	7,156	65
Bank of Maryland,	60,418	32
Making, together,	$751,377	34

A similar state of things lasted to the 1st of June, comparatively more disadvantageous to the Bank of the United States. The receipts of public revenue continued to go into the Bank of New-York till the 1st of April, 1792, when a branch of the Bank of the United States began to operate in that city; which is the reason of the sum in the Bank of New-York bearing so near a proportion to that of the United States, and so far exceeding the Bank of North America. By this time, also, the balance of the proceeds of foreign bills had been passed to the account of the Treasurer; yet still remaining in deposit in the Bank of New-York.

These views of the state of the public cash are conformable to the treasurer's statement of half-monthly balances, accompanying my letter of the 13th instant, No. V.

The same statement will show, that a proportion of the public deposits has continued, since the 1st of April, 1792, in the State banks; in those of North America and New-York down to the end of the period which that statement embraces.

From these details, the following inferences are deducible.

That, as far as any advantages may have accrued from the deposits on account of the foreign bills drawn prior to April, 1792, they accrued substantially to the Banks of North America and New-York, not to the Bank of the United States, or to its

branches. That, in transferring the pecuniary concerns of the Government from the pre-existing banks to that of the United States and its dependencies, a cautious regard has been paid to the convenience of the former institutions, and the reverse of a policy unduly solicitous for the accommodation of the Bank of the United States has prevailed. Indeed, so much has this been the case, that it might be proved, if it were proper to enter into the proof, that a criticism has been brought upon the conduct of the Department, as consulting less the accommodation of the last mentioned institution, than was due to its relation to the Government and to the services expected from it.

But further examination will demonstrate another point; which is, that none of the establishments in question have received any accommodations which were not in perfect coincidence with the public interest, and in the due and proper course of events.

This examination will be directed towards two objects; one, the state of the treasury at the commencement of each quarter, during the years 1791 and 1792; the other, the state of the market in regard to the prices of stock during the same years.

These periods are selected, because they afford the truest criterion of the state of the treasury, from time to time, being those at which the principal public payments are made; and for which it is necessary to be prepared by intermediate accumulations.

The state of the treasury at the periods in question, was as follows:

In the year 1791.	
January 1,	$569,886 55
March 1,	373,434 53
June 1,	533,638 24
October 1,	662,233 99
In the year 1792.	
January 1,	953,862 75
April 1,	751,377 34
July 1,	623,133 61

	October 1, - - - - - - -	420,914 51
1793.	January 1, - - - - - - -	783,212 37

This appears from the statements Nos. 4 and 5, forwarded with my last letter.

The state of the stock market, during the several quarters of the same years, was as follows:

First quarter of 1791—					
Six per cents. from	16*s.*	9*d.*	to	17*s.*	6*d.*
Three per cents. from	8*s.*	6*d.*	to	9*s.*	4*d.*
Deferred, from	8*s.*	6*d.*	to	9*s.*	4*d.*
Second quarter of 1791—					
Six per cents. from	17*s.*		to	17*s.*	9*d.*
Three per cents. from	9*s.*		to	10*s.*	
Deferred, from	8*s.*	11*d.*	to	9*s.*	4*d.*
Third quarter of 1791—					
Six per cents. from	17*s.*	10*d.*	to	21*s.*	3*d.*
Three per cents. from	9*s.*	9*d.*	to	12*s.*	5*d.*
Deferred, from	9*s.*	9*d.*	to	12*s.*	10*d.*

As early as the 6th of August, the six per cents. had a temporary rise to 21*s.* but by the 16th, they had fallen to 20*s.*; on the 20th, they had risen to 20*s.* 6*d.*, and were sometimes above that rate, but never lower during the rest of the quarter.

As early as the 23d of July, the three per cents. had reached 12*s.*, and were sometimes higher, but never lower during the rest of the quarter.

On the 23d of July, the deferred also reached 12*s.*, and afterwards rose to 12*s.* 6*d.*

Fourth quarter of 1791—					
Six per cents. from	20*s.*	4*d.*	to	22*s.*	4*d.*
Three per cents. from	12*s.*	2*d.*	to	13*s.*	8*d.*
Deferred, from	11*s.*	8*d.*	to	13*s.*	6*d.*

The prices were lowest in the early, and highest in the latter part of the quarter.

During the whole of the month of December, the deferred

was at 12*s.* 8*d.* and upwards; the greatest part of the time at 13*s.*

First quarter of 1792—

Six per cents. from	21*s.*		to	25*s.*	
Three per cents. from	12*s.*	6*d.*	to	15*s.*	
Deferred, from	12*s.*		to	15*s.*	

The low prices were in the last ten days of March.

Second quarter of 1792—

Six per cents. from	20*s.*		to	22*s.*	6*d.*
Three per cents. from	12*s.*		to	13*s.*	9*d.*
Deferred, from	11*s.*	6*d.*	to	13*s.*	4*d.*

Third quarter of 1792—

Six per cents. from	21*s.*		to	22*s.*	3*d.*
Three per cents. from	12*s.*	4*d.*	to	13*s.*	6*d.*
Deferred, from	12*s.*	3*d.*	to	13*s.*	7*d.*

Fourth quarter of 1792—

Six per cents. from	20*s.*	2*d.*	to	21*s.*	9*d.*
Three per cents. from	12*s.*	3*d.*	to	13*s.*	6*d.*
Deferred, from	11*s.*	10*d.*	to	13*s.*	6*d.*

In October, the deferred was at the highest. The lowest prices were in the month of December.

This view of the subject is derived from a statement of prices, pursuant to actual purchases and sales, furnished by a dealer of this city, respectable for his intelligence and probity, combined with the accounts from time to time published in the Gazette of the United States. The papers marked (A x.) and (B y.) are transmitted for the more particular information of the House on this head.

The market prices of stock no doubt varied at other places; at some may have been higher, at others lower. At Philadelphia, too, 'tis believed that small sums were obtainable at particular periods, from necessitous individuals, below the prices in the statement.

But there is good ground of reliance, that it is substantially a just representation of the state of the stock market, during the periods to which it refers.

The state of the treasury, from the first of January, to the first of October, 1791, may be said to have been at its proper

level, exhibiting none, or an inconsiderable excess beyond the sum which has been mentioned as necessary to be there, and concerning which, a further explanation has been promised, and will be given in the course of this letter. The public purchases in August and September, 1791, amounted to 349,744 dollars and 99 cents.

In the last quarter of the year 1791, beginning with the month of November, and the first quarter of the year 1792, there appears to have been an excess of some magnitude in the treasury, being from about 250,000 to about 450,000 dollars. Taking the first quarter of 1792 as the truest criterion (which it certainly was, because, at the expiration of that quarter, the payment of interest on the assumed debt began, and was to be provided for) the real excess ought to be considered as 250,000 dollars; with the addition of about 80,000 dollars then in the Bank of North America, from the proceeds of Amsterdam bills, beyond the advances of the bank for the public service, which had not been passed into the Treasurer's account. It is proper to remark, that the course of importations occasions large receipts in the latter part of each year, which circumstance contributed to the accumulation in question.

From the last of November to about the 21st of March, an investment of the excess on hand, in purchases, was impracticable.

To enable the House to understand what is meant by saying that purchases were impracticable during that period, it is necessary to add, that the prices of stock exceeded the limits which the commissioners of the sinking fund had prescribed to themselves. Indeed, a large proportion of the time, those prices were manifestly artificial, and such as predicted a great fall not far distant. The delay incurred, was accordingly well compensated by the prices at which investments were afterwards made.

From the 21st of March to the 25th of April, purchases were effected to the extent of 242,688 dollars and 31 cents, in specie; within 80 or 90,000 dollars of what could have been spared, consistently with the rule which has been mentioned, as proper to regulate the arrangements of the treasury.

But two circumstances operated against a further investment; a sudden rise of prices, and a state of temporary disorder in the two principal mercantile scenes of the country (occasioned by the excessive speculations that had preceded) which admonished the treasury to be cautious in its disbursements.

It results from the foregoing view of the subject, that, as far as any extraordinary sum may appear to have remained unemployed in the banks a longer term than was desirable, it proceeded essentially from a state of things which did not permit its employment, and is in no degree attributable to that spirit of favoritism towards those establishments, or any of them, which has been imagined, as the solution of appearances, not rightly understood, and much overrated.

The only question, then, of which the matter is susceptible, is this: Was not the state of things, that did take place, to have been foreseen, so as to have influenced the drawing for a proportionably less sum?

This question may safely be answered in the negative.

The bills, the proceeds of which *contributed* to constitute the excess, which remained unemployed during the two quarters, were drawn in May, 1791. In that month, the highest prices of stock were 17*s.* 2*d.* for six per cents. 9*s.* 2*d.* for three per cents. and 9*s.* 3*d.* for deferred.

No reasonable anticipation, at this juncture, of the progressive rise of stock, could have carried it in so short a time to the height which it attained, or beyond the limits within which purchases were deemed advantageous. The rapid and extraordinary rise which did ensue, was, in fact, artificial and violent; such as no discreet calculation of probabilities could have pre-supposed. It, therefore, cannot impeach the prudence or expediency of having made provision, on a different supposition, for an extension of purchases.

The proceeds of the bills which were drawn subsequent to May, only began to be collected about the beginning of February, and continued in collection until the 29th of March. On the 2d of February, the sum received amounted to no more than 13,431 dollars and 33 cents.

These last bills were drawn when the rapid rise of stock commenced, and were sold upon a credit of three months. It was a natural conjecture, that a rise so sudden and violent could not be of long duration; and that a declension would shortly succeed, which would afford an opportunity of purchasing with advantage, and render the intervention of public purchases advantageous in more than one respect. The event fully corresponded with the anticipation.

With regard to the bills drawn in April last, it has been stated, that they were directed to be sold upon a credit of six months; that those drawn in July, August, and October, were made payable, one moiety in two, the other moiety in four months. Hence, with a moderate allowance for delay in the sales, the period contemplated by the arrangement for the commencement of receipts, was the month of October; that for their consummation, the month of February.

The inducements to the drawing of these bills have been stated. The present examination has relation merely to the question, whether the bank of the United States, by premeditation of this Department, or subsequent omissions, had enjoyed any undue advantage from the deposites of the proceeds of the bills at the end of the year, 1792, the point of time to which this inquiry has reference.

The statement which has been made, as to the time the moneys received to that period had remained in deposit, might alone be relied upon as a sufficient answer. If delinquency can be attached to the non-employment of one or two hundred thousand dollars for a few weeks, in the money operations of a nation, it implies a minuteness of responsibility, which could never be encountered with prudence, and never will be fulfilled in practice. The distractions of attention, incident to a great and complicated scene of business, would alone disappoint the expectation.

But I have more than this to offer upon the present occasion. The opportunity for investing the moneys on hand, during the period in question, was not favorable. This was experienced by the Treasurer, in his endeavors to invest the fund arising from

the interest on the purchased debt. There was no part but the deferred which could be had at all within the limits prescribed. Several indications of an approaching season, more advantageous for purchases, were discernible, and a better employment of the money than at the then prices presented itself to the option of the Legislature. This mode of employing it, formed, in my mind, part of a general plan for the regular redemption of the public debt, according to the right reserved to the Government. The one per cent. which might be saved, was regarded as one means of constituting the proposed annuities.

Accordingly, on the 30th of November last, pursuant to a reference of the 22d of that month, and connected with the plan of redemption contemplated, I submitted to the House of Representatives a proposition for applying the moneys in question towards discharging the debt which the Government owes to the bank, and upon which an interest of six per cent. is payable. This was manifestly, at the time of the proposition, the most profitable use that could be made of the fund. It has been already stated, that it would produce a saving, if extended to the whole two millions, worth to the Government an annual sum of 20,000 dollars—equal to a capital of 400,000 dollars.

This proposition tended to accelerate the employment of the moneys on hand, in a way the most beneficial to the Government; and consequently to shorten the duration of the advantage to the banks of holding them, by way of deposit. I submit it to the candor of the House, whether it be not full evidence that there was no disposition, on my part, to prolong to those institutions a benefit at the expense of the Government.

The proposition itself has not yet received the decision of the House.

Another ground upon which the suggestion of mismanagement and undue concession to the interest of the banks has been founded, respects the domestic loans which have been obtained. Those of them which have been made of the Bank of the United States, are represented as unnecessary, tending to afford an emolument to that institution, for which the United States had no equivalent advantage.

It will conduce to a correct judgment of this matter, to resume a point already touched upon, and to add here the further illustrations of it which have been promised, to wit: that it ought to be a general principle to have constantly in the command of the treasury, at its different places of deposit, a sum of about 500,000 dollars—a principle, too, which must be understood with reference to the beginnings of the quarters of a year, when the chief public payments are made and making.

The following observations will apply generally to the balances which appear at the commencement of each quarter. The greatest part of the interest for the preceding quarter, will have been then deducted; but a part is always in a different situation.

The payment of interest upon a public debt, at thirteen different places, is an operation as difficult and complicated as it is new. In carrying it into execution, it is of necessity to lodge, for some time previous to the expiration of each quarter, at several of the loan offices, drafts of the Treasurer, for the sums estimated to be necessary at those offices, with blanks for the direction, and with liberty to the respective officers to dispose of them upon different places, as a demand accrues. This arrangement has an eye to two purposes; to avoid large previous accumulations at particular points; to facilitate the placing of the requisite sums, where they are wanted, without the transportation of specie. The allowing of the drafts to be disposed of on several places, gives larger scope to a demand for them, and renders them more easily saleable. But it is a consequence of this, that a part of the drafts are often not placed and brought into the accounts of the Treasurer, till some time after the expiration of the quarter. The fund for them of course appears on hand till the transaction is completed.

Connected with the circumstance of paying the interest upon the public debt at different places, is this further consequence. The transfers continually going on from one office to another, render it impossible to know, at any moment when provision for the payment of interest is to be made, what sum is requisite at each place. Estimate must supply the want of knowledge;

and, to avoid disappointment any where, the estimate must always be large, and a correspondent sum placed in the power of the commissioners. This circumstance alone requires an extra sum at the different places of payment, which ought not to be computed at less than 50,000 dollars.

Again, the sums payable on account of the civil list, at the end of each quarter, which amount to about fifty thousand dollars, exclusive of what relates to the two Houses of Congress, are always in a course of payment for some time within the succeeding quarter. The fund for them consequently appears in the moneys on hand at the beginning of such quarter.

Again, there are constantly considerable arrears of existing appropriations, for which demands on the treasury are at every moment possible; the times when they will be presented, and to what extent, at any given time, being in a great degree contingent. The arrears for the different objects of the War Department, can seldom be estimated at less than 150,000 dollars.

It is presumed to be a clear principle, that the treasury ought to be always ready to face such arrears as may be claimed at every instant, or within any short period. An hour's distress or embarrassment, to make good a public payment, already due, would be baneful to public credit. It has been a uniform maxim of the present administration of the treasury never to risk such distress or embarrassment.

Independently, therefore, of the weighty consideration of being prepared (especially with a war on hand liable every moment to greater extension) for future casualties, the mere satisfaction of arrears ought to cause the constant reservation of a sum, that would be moderately stated at half the sum which it has been alleged ought always to be in the treasury. It is to be observed, that it does not often happen that the current receipts to be expected in any immediately succeeding quarter, are likely to exceed the probable expenditure of the quarter. The reverse is as often the case. Hence the greater necessity of maintaining a constant surplus.

There are still other considerations of weight, in a just estimate of the point in question.

The sum stated as necessary to be always in the command of the treasury, is never in fact at the seat of the Government, where far the greatest part of the public disbursements are to be made. The depositories of it are the several banks from Charleston to Boston. The whole sum, therefore, can never be brought into immediate action, for answering the claims upon the treasury. No part can be properly viewed as in this situation, beyond New-York on the one side, and Baltimore on the other. Whatever part is more remote than those points, ought not to be regarded as capable of being commanded in less time, upon an average, than sixty days, making allowance for the usual delays in the sale of bills, and the usual terms of credit, which experience has shown to be convenient.

In estimating the effective sum at any time on hand, in the Bank of the United States, it is necessary to be known, that a practice for the simplification of the treasurer's bank account, begun with the Bank of North America, has been continued with the Bank of the United States, of this nature: The bills drawn by the Treasurer upon distant places, and deposited with the bank for sale, are immediately passed to his credit as cash, though they are allowed to be sold at credits from thirty to sixty days; and it is understood, that the proceeds are not demandable of the bank, till they are collected. Hence the apparent sum in the Bank of the United States is always greater than the real; sometimes to a large amount.

The deductions to be made for this circumstance, are shown in the treasurer's half monthly statement of balances No. 5, beginning with the first of June, 1792, and ending with the first of January, 1793. The period begun with is that when the first instalment of the loan from the bank was payable, and has been selected for this reason.

The propriety of these deductions appears to have been objected to, by anticipation, on two grounds; one, that the bills deposited answer all the purposes of cash, and ought to be credited as such, on the receipt of them; the other, that "there is a regular and constant influx of moneys into the bank, by the operation of these bills, and that it is not very material whether

a bill lodged in the bank to-day, should be paid to-day, provided something like the same sum should be paid in consequence of a bill lodged in bank one or two months ago, and the bill of to-day should be paid one or two months hence."

Neither the one nor the other of these two positions is correct.

In no sense are the notes of the purchasers of the bills, which are taken payable in thirty, forty-five, and sixty days, the same thing to a bank as *cash*. 'Tis evident it could not pay its own bills with those notes. In this primary particular, therefore, the comparison fails; neither could it make discounts upon the basis of those notes as *cash*. Because, every discount gives a right to a borrower to call and receive in coin, if he pleases, the amount of the sum discounted. Notes are not coin, nor do they confer an equal power to pay. It is true, that a bank will, in its discounts, make some calculation on expected receipts; but it can never consider them as equivalent to cash in hand, nor operate upon them in any degree to the same extent as upon equal sums in cash. If notes payable at future periods were equivalent to cash, then every discount made by a bank would confer a faculty to make another for an equal sum; for there is always a note deposited for the sum discounted, and the power of discounting might, by the *mere exercise* of it, become *infinite*. An hypothesis of this kind will never be acted upon by any prudent directors of a bank, and could not be long acted upon, without ruin to the institution. It is to be observed that the great profitable business of a bank consists in discounting.

There is but one light in which the position under examination is in any degree founded. It is this, that, were it not for the instrumentality of the bills, the specie of the bank would be sometimes remitted for purposes which are answered by the bills. As often as this happens, they are a substitute to the bank for cash, because they prevent equivalent sums from being carried away.

But this only sometimes happens. In numerous instances, the enterprises to which the bills are subservient, would not be undertaken at all, were it not for the power of anticipation

which the credits upon them afford. In many other instances, the bills of the bank itself would be remitted instead of specie; in others, private bills would be substituted; in others, mutual credits between the merchants, to be liquidated in the course of mutual dealings, would supply the call.

Hence it is only true that treasury bills *sometimes* answer the purpose of cash to the bank, whence it does not follow that they ought *always* to be considered and credited definitively as cash. It is also true, though in a less degree, that notes deposited with the bank by individuals, for collection, sometimes answer to it the purposes of cash; but it will be readily perceived that it would be inadmissible, as a general rule, to receive and credit them as such.

The effect in both cases would be, that the bank would make an *advance* of a present sum *without interest*, for a sum to be received in future.

An arrangement, indeed, has been for some time depending between the Bank of the United States and the treasury, for securing to the Government the advantage of an immediate *absolute* credit for the bills deposited, as so much cash, to be coupled with some collateral accommodations to the bank. But it has not yet been carried into effect. The fact heretofore, has been as stated, and the reasoning, to be just, must proceed on that basis.

The last of the two positions which have been cited, has still less foundation than the first.

A sum received to-day, for a bill deposited two months past, can in no view be deemed a substitute for the amount of a bill deposited to-day *to be received* two months hence. It is to be remembered, that the amount of the first bill was itself credited *at the time of the deposit;* and that the sum received to-day on that account, can only *realize the antecedent credit.* It cannot represent or be an equivalent for the *future receipt* upon a different bill. To affirm that it could, is to make *one* sum the representative of *two.* The consequence of the reasoning would be, that the Government ought to receive the money paid in to-day as a satisfaction, as well for the bill deposited to-day, as for that which was deposited two months past.

Making the proper deductions on account of the bills, the amount of the effective cash in the banks of Philadelphia, New-York, and Baltimore was, on the first of June, 587,091 dollars and 11 cents; in other banks, there was then also the further sum of 9,591 dollars and 89 cents, making together 596,683 dollars. The amount of the effective cash on the second of July, in the banks at Philadelphia, New-York and Baltimore, was 217,234 dollars and 76 cents; there were then also in the other banks, 184,998 dollars and 85 cents; making, together, 402,233 dollars and 61 cents. The amount of the effective cash on the first of October, in the banks at Philadelphia, New-York, and Baltimore, was 244,394 dollars and 27 cents; there were then also in the other banks, 145,420 dollars and 24 cents; making, together, 389,814 dollars and 51 cents.

The deductions for bills at the several periods, were, June first, 157,508 dollars and 33 cents; July second, 220,900 dollars; October first, 31,100 dollars; so that, including the bills at that epoch, the whole sum in the banks at Philadelphia, New-York, and Baltimore, amounted to no more than 275,494 dollars and 27 cents; the sums in the other banks, to 145,420 dollars and 24 cents.

On the first of June, there were paid on account of the debt to France, 100,000 dollars; the day following, the first instalment of 100,000 dollars, on account of the loan from the bank, was received. On the 30th of June, the second instalment of 100,000 dollars was received. These two instalments, amounting to 200,000 dollars, are included in the sum of 217,234 dollars and 76 cents, which, on the 2d of July, constituted the cash in all the banks at Philadelphia, New-York, and Baltimore.

About the beginning of August, another instalment on account of the loan of the bank was received, and on the 29th of September, another, making, with the preceding ones, 400,000 dollars. This sum was involved in the balance in the treasury on the first of October, which, it has been seen, did not exceed in the banks at and near the seat of the Government, including even unsold and unpaid bills, 275,494 dollars and 27 cents; and comprehending the sums in all the other banks, amounted to no more than 420,914 dollars and 51 cents.

From the foregoing detail, it appears that, excluding the 200,000 dollars received on loan of the Bank of the United States, in the month of June, there would have been, on the 2d of July, 1792, in the command of the treasury at those places, from which immediate supplies may be derived, no greater sum than 17,234 dollars and 76 cents; that, excluding the 400,000 dollars, before that time received on loan of the same bank, there would have been, on the 1st of October, 1792, an absolute deficiency within the scene described, of 124,505 dollars and 73 cents; that the whole balance then in the treasury, wheresoever deposited, amounted only to 420,914 dollars and 51 cents, and, excluding the loan of the bank, would not have been more than 20,914 dollars and 51 cents.

There must be some very radical error in my conceptions of the proper condition of the treasury, if it was not in a sufficiently low state, during the whole period under consideration; and if it be not demonstrated, that the moneys taken of the bank on loan were necessary for the public service, and were obtained with a due regard to economy.

There are circumstances which still further manifest the attention which has been paid to this point. The powers given to make loans for domestic purposes at different times, up to the 8th of May, 1792, comprehend an aggregate of 1,053,355 dollars and 74 cents; the sums which have been actually obtained upon interest, amount to no more than 455,000 dollars.

The contract upon which the 400,000 dollars were obtained, was made the 25th of May, 1792, extending to 523,500 dollars, and contemplating the payment of 400,000 dollars of that sum by the bank, in equal monthly instalments, beginning on the 1st of June, and ending the 1st of September; the residue on the 1st of January, 1793.

Previous to the making of that contract, there had been stipulated to be paid on account of the French debt, for the supplies to St. Domingo, 400,000 dollars, of which one-fourth was paid in March, another fourth was payable on the 1st of June, another fourth on the 1st of September, another fourth on the 1st of December.

Particular causes rendered it an accommodation to the agents of France, to postpone and subdivide the September instalment. A similar postponement took place with regard to the instalment payable by the bank on the 1st of September, which was not demanded till the latter end of the month, and the remainder of the sum contracted for has not yet been demanded. The spirit of the precaution, which secured to the public the privilege of making or forbearing its calls, according to circumstances, needs no comment.

There remain to be noticed two circumstances, which will serve to throw additional light upon the conduct which has been observed with regard to the sums from time to time kept on hand. A comparison of the sums in the treasury, during the years 1791 and 1792, will contradict the idea of any disposition to suffer the public moneys to accumulate, for the benefit of the Bank of the United States, and its subdivisions, and will at the same time indicate the general rule which has governed. In this comparison, it is necessary to recollect that larger operations were to be performed in 1792.

It may be objected, that the rule laid down has been on several occasions exceeded. How this has happened at certain periods, has been explained. But there is a view of the subject which will throw further light upon it.

The sums which appear on hand at the end of any quarter, are always larger on a *retrospective* than on a *previous* view. This proceeds from the following cause:

The judgment to be formed beforehand of the sums which will be received within any future period, must of necessity be regulated by the returns in possession of the treasury, at the time the examination is made. As these come forward with more or less punctuality, that judgment will be more or less accurate; but, the appearance on the returns will always be short of the fact, because a certain number of returns, at any period of examination, will necessarily be deficient. What does not appear, must of course be essentially excluded from the calculation of the receipts to be expected within any near period. Because the extent of the sums which may have accrued, beyond

those shown by the returns in hand, is unknown, and it is still more uncertain in what months the payments of them may fall; and the combinations of the treasury, as to the means of fulfilling the demands upon it, ought to proceed as little as possible upon conjectures and uncertainties.

Monthly abstracts of the bonds taken at each port, are the documents which serve to inform the treasury of the progress of the receipts upon the duties of imports. From these, a general abstract is made up once a month at the treasury, for the information of the head of the Department, showing the amount payable in each month.

But very considerable differences appear from one month to another. The statement C Z, will serve as an illustration.

It contains a comparison of the sums shown by two successive abstracts, one of the 7th of November, the other of the 7th of December last, for a term of ten months, distributed into monthly subdivisions. The aggregate difference upon the whole term between the two abstracts, is 495,308 dollars and 73 cents; upon two months, beginning with November, and ending with December, it is 151,789 dollars and 40 cents: upon a quarter beginning with January, and ending with March, it is 174,471 dollars and 66 cents; upon a subsequent quarter, it is 81,055 dollars and 81 cents; upon a still subsequent quarter, it is 87,991 dollars and 86 cents.

Hence it is evident, that an arrangement, founded upon the abstract of the 7th of November, would suppose a receipt during any part of the time embraced by it, even the most proximate, considerably less than would appear by the abstract only one month later; and it must always happen, from this circumstance, that the actual receipts, while punctuality is preserved, will exceed the anticipations of them, and that greater balances will be found to exist at any given period, than could have been beforehand safely calculated or acted upon. This circumstance, duly considered, will be a further and powerful justification of the conduct pursued generally, in relation to the moneys from time to time kept on hand, and particularly with regard to the loans of the bank. Low as the state of the treasury appears to have

been on a retrospective view, when the moneys upon those loans were called for, the prospect, at each time, must have presented the appearance of a less competent supply, or a greater deficiency, than was afterwards realized.

I am not sure but that I owe an apology to the House for taking up so much of its time in obviating the imputation of partiality or favoritism towards the banks; the aspect under which I view it, admonishes me, that I may have annexed to it greater importance than was intended to be given to it by its authors.

That a disposition friendly to the accommodation of those institutions, as far as might be consistent with official duty and the public interest, has characterized the conduct of the Department, will not be denied.

No man, placed in the office of the Secretary of the Treasury, whatever theoretic doubts he may have brought into it, would be a single month without surrendering those doubts to a full conviction, that banks are essential to the pecuniary operations of the Government.

No man, having a practical knowledge of the probable resources of the country, in the article of specie, (which he would with caution rate beyond the actual revenues of the Government), would rely upon the annual collection of four millions and a half of dollars, without the instrumentality of institutions that give a continual impulse to circulation, and prevent the stagnation, to be otherwise expected from locking up from time to time large sums for periodical disbursements; to say nothing of the accommodations, which facilitate to the merchant the payment of the considerable demands made upon him by the treasury.

No man, practically acquainted with the pecuniary ability of individuals, in this country, would count upon finding the means of those anticipations of the current revenue for the current service, which have been, and will be necessary, from any other source than that of the banks.

No prudent administrator of the finances of the country, therefore, but would yield to the disposition, which has been

acknowledged, as alike essential to the interest of the Government, and to the satisfactory discharge of his trust; a disposition which would naturally lead to good offices, within the proper and justifiable bounds.

After the explanation which has been offered, to manifest the necessity and propriety of the loans made of the bank, it can scarcely be requisite to enter into a refutation of the process by which it has been endeavored to establish that the Government pays seventeen per cent. upon those loans. The state of the treasury rendered it expedient to borrow the sums which were borrowed; they have been duly received, and the rate of interest stipulated upon them is five per cent. The Government then pays upon them five per cent. and no more.

The history which was given, in my last letter, of the course and situation of the foreign fund, proves that the supposition from which the inference, of paying seventeen per cent. upon the domestic loan, has been drawn, is erroneous. The balances on hand, at the respective periods in question, are the residues of the moneys which had been received from every source, including the loans, foreign and domestic.

But, if the supposition which appears to have been made had been true, it was still impossible that seventeen per cent could have been paid. By no construction can the rate be extended beyond ten. The mean interest of the money borrowed abroad, including charges, is five per cent.; the interest stipulated to be paid on the loan from the bank is also five; the sum of the two is ten. It is immaterial for what purpose the foreign fund was obtained, whether to pay to France or to purchase the debt; the worst consequence that can result is *double* not *treble* interest. The interest payable to France is payable for moneys *borrowed* and *spent* during the war. It can never be truly said, that that interest is now payable on any existing fund, whether borrowed in Holland or borrowed in the United States, or borrowed there and re-borrowed here. It can never serve to make an addition to the cost or charges of any such fund. 'Tis payable upon one long since *procured* and *used*.

But it is not obvious how the supposition came to be enter-

tained, that all the moneys drawn here from the foreign fund had been borrowed for the payment of the debt to France. The presumption would seem to have been more natural, that they had been principally, if not wholly introduced with a view to purchases of the debt, and consequently had a more special reference to the act authorizing a loan for that purpose. And the fact is, that this was the destination of far the greatest proportion of the sums drawn for. It has been stated that a part had an eye to the supplies to St. Domingo, and that another part was introduced with a view to the payment of the foreign officers.

The additional observations to which I shall request the attention of the House will apply to the course and state of the sinking fund, concerning which, I transmitted with my last communication, three statements, numbered I, II, III.*

To give a more collected view of this part of the subject, it may be of use to include here a recapitulation of some ideas, which have been stated in other places.

It is the course and practice of this Department, for all public moneys, from whatever source proceeding, to pass into the treasury, and there form a common mass; subject, under the responsibility of the officers of the Department, to the dispositions which have been prescribed by law.

The surplus at the end of the year 1790, appropriated to the sinking fund, amounting to 1,374,656 dollars and 40 cents, went, as it was received, into the treasury.

All the proceeds of the bills drawn upon the foreign fund, prior to April, 1792, except the sum of 177,998 dollars and 80 cents, left in deposite with the bank of North America, for reasons which have been explained, passed from time to time into the treasury. The whole amount of the sums paid in is 907,294 dollars and 23 cents.

The proceeds of the bills drawn for, in, and subsequent to, April, 1792, have not yet passed into the treasury, for reasons which have been likewise assigned. It would have been done

* For these Statements see State Papers, Vol. I. pp. 210, 211, 212.

before this time, as far as the receipts had gone, but for the present inquiry, which temporarily suspended it. I thought it best to make no alteration in the state of things, as they stood when it began, at least till all the information desired had been given. Measures will now be taken for a settlement of the accounts, and for a transfer of the proceeds. The whole amount of those bills, paid and unpaid, including an estimated sum of interest, will be, as heretofore stated, 1,220,476 dollars and ten cents.

The whole amount of the bills drawn is 2,305,769 dollars and 13 cents.

Out of the sinking fund composed of the surplus of the revenue, to the end of 1790, and the proceeds of the foreign bills, there were issued from the treasury, and expended in purchases, to the end of 1792, 957,770 dollars and 65 cents.

For reasons which have been stated, it was finally deemed advisable to place those purchases wholly to the account of the surplus of 1790.

Consequently, there remained on the 1st of January, of the present year, 416,885 dollars and 75 cents, of the above mentioned surplus, unapplied to purchases; and the whole of the foreign fund, except the sum of 726,000 dollars paid, and reserved to be paid, for the use of the colony of St. Domingo, and the sum of 191,316 dollars and 90 cents paid, and reserved to be paid, to the foreign officers, became free for future application. The balance of the proceeds of the bills, after deducting for those reservations, is 1,388,452 dollars and 22 cents.

Since the 1st of January, 1793, there have been issued, on account of the foreign fund, for purchases, 284,901 dollars and 89 cents.

The practice has uniformly been, not to separate any of the moneys belonging to the sinking fund, from the common mass of the moneys in the treasury, but in proportion to the occasions of investing them in purchases.

Hence the sum of 957,770 dollars and 65 cents, issued previous to the present year, and the sum of 284,901 dollars and 89 cents, issued during the present year, making, together, 1,242,672

dollars and 54 cents, are all the moneys which have been ever separated from the common mass of the treasury, for the purpose of the sinking fund; the whole of which, except 49,282 dollars and 74 cents, have been actually expended in purchases.

The unapplied sum remains deposited in the Bank of the United States, except a small balance of 61 dollars and 76 cents, in the hands of William Heth.

From the above rule, the part of the sinking fund arising from interest on the debt extinguished by purchases or otherwise, is to be excepted. The practice hitherto, has been to include this interest in the general dividend of each quarter, and the warrant issued to the cashier of the bank for paying it. The statement No. 3,* accompanying my last letter, shows the application of this fund hitherto.

The law directs that this fund shall be invested within thirty days after each quarter. This provision began to take effect on the 1st of July last.

But the investments were not made within the respective times prescribed. This proceeded partly from the state of the market, and partly from the regulations adopted by the commissioners, who were the Secretary of State, the Attorney General, and the Secretary of the Treasury.

Their regulations, applying to the two first quarters, limited the prices to certain rates, and prescribed the mode of sealed proposals. The Treasurer was appointed agent for the commissioners.

The proposals, with regard to the first quarter, were receivable till 28th of July inclusively; none were offered, as the Treasurer reported to me, and nothing was done.

The experiment of sealed proposals was again tried the second quarter, with somewhat more, though with but little success. The restriction to this mode of proceeding was rescinded, on the last day of the thirty allowed for purchasing, and some further purchases were made, but the whole sum invested was only 25,969 dollars and 96 cents.

* For statement III, see State Papers, Vol. I., Finance, p. 212.

The residue of this fund, except some small sums noted at foot of statement No. 3, was in January past.

The unapplied part of the surplus of 1790 having been expended in aid of the *receipts* of 1791, according to the provision which was made for that purpose, will remain suspended until the future *receipts* shall so far exceed the current *disbursements* as to produce a surplus for replacing it.

In computing the amount of the unapplied foreign fund, it is necessary to take into the account the payments made from it during the years 1791 and 1792, on account of the interest of the foreign debt.

Provision having been made for paying this interest out of the domestic revenues, the sums which have been paid on that account, from the foreign fund, are to be considered in the same light as if they had been transferred here by drafts.

The amount paid at Amsterdam is 1,633,189 guilders and two stivers, equal at $36\frac{4}{7}$ ninetieths per guilder, to 659,874 dollars and 34 cents.

There will be additions to be made, which are not at present ascertained.

Adding this sum to the proceeds of the bills, and deducting the sums paid and to be paid for St. Domingo, and the foreign officers, and those applied to purchases during the present year, there will remain a sum of 1,763,424 dollars and 68 cents, subject to a future application.

Of this sum 1,715,098 dollars and 11 cents will be properly applicable to the purchase of the debt. But circumstances may render it eligible to appropriate a part of it towards the discharge of the foreign debt.

From the plan which has been pursued, it is also liable to this application.

I have the honor to annex to the statements heretofore transmitted, those in the printed schedules marked A, B, and C.*

A exhibits the relative state of *revenue* and *appropriations*,

* For A, B, and C, see State Papers, Vol. I., Finance, pp. 219 to 222.

to the end of 1792. B the relative state of *appropriations* and *expenditures* to the same period; showing the balance unsatisfied of each head of appropriation. C, applies these statements to an explanation of the demands or charges upon the excess of income, beyond the disbursements, to the end of 1792.

In addition to these are two statements, marked D and E.

D, showing what proportion of the balances unsatisfied of the several appropriations are likely to be real expenditures, and what part are not likely to be so. In this, however, in several instances, probability must guide, the nature of the thing not admitting of certainty.

E, showing the cash on hand upon the first of January last, and likely to be received from that day to the first of April next, and the sums paid and payable during that period.

The result, founded upon facts, contradicts very essentially that statement, which aims at showing the ability of the treasury, besides defraying the current expenses of the quarter, to pay off two millions to the bank; still leaving a balance in favor of the treasury of 664,263 dollars aud 54 cents.

It shows that, after satisfying the demands for which the treasury is bound to be prepared, including a payment to the bank of only one tenth part of the 2,000,000, of which the statement alluded to supposes the complete payment; there would remain a balance in favor of the treasury of no more than 664,180 dollars and 89 cents.

It could answer no valuable purpose to delay the House with a particular examination of the various misapprehensions which have led to a result so different from the true one. It will be sufficient, as an example, to state a single instance. It is assumed as an item in the calculation, that a sum of a million of dollars will come into the treasury by the first of April, on account of the revenue of the *current* year; while the probability is, that the sum received may not exceed ten thousand dollars; this presumption of a million is evidently founded upon two mistakes. 1st. It proceeds on the basis of an annual revenue of four millions of dollars, and supposes this sum equally distributed between the different quarters of the year, a million to each

quarter; when, in fact, there are two seasons of the year incomparably more productive than the other parts of it, viz: Those portions of the spring and fall which are embraced by the second and third quarters; the first and fourth being far less productive. 2d. It supposes all the duties which accrue are *immediately paid*: whereas the cases of prompt payment are confined to those in which the duties on particular articles imported in one vessel by one person or co-partnership, do not exceed 50 dollars; in all other instances, a credit not less than four months is allowed, which carries the payment on the importations, upon the very first day of the quarter, a month beyond the expiration of it.

If the whole amount of the duties, which accrued during the first quarter of 1792, in cash and bonds, was no more than 307,163 dollars and 84 cents, adding one seventh for the additional duties, it ought, by analogy, to be the first quarter of the present year, 322,472 dollars and 94 cents; less, in totality, than the sum which it has been computed would be actually in money in the treasury, by 677,527 dollars and 6 cents; and less, by the whole million, nearly, than will probably be in money in the treasury on that account.

With perfect respect, I have the honor to be, Sir,
Your most obedient and most humble servant,

ALEXANDER HAMILTON,
Secretary of the Treasury.

The Hon. the Speaker of the
House of Representatives.

A x.—Market prices of Public Stocks, taken from actual purchases and sales.

B y.—Prices of the Public Stocks, taken from the Gazette of the U. S.

C Z.—Comparative statement of bonds for duties becoming due from November, 1792, to September, 1793, inclusive, as per monthly abstracts thereof, taken 7th November and 7th December, 1792.

D.—Statement showing the sums of appropriation, to the end of the year 1792 which will probably not be required to satisfy the same.

E.—Probable state of cash, from the last of Dec., 1792, to the 1st of April, 1793 —See *State Papers—Finance*, Vol. I. pp. 230 to 834.

[In State Papers, Finance, Vol. I., page 281, may be seen a Report of a Committee of the House of Representatives, on "The Condition of the Treasury," explanatory of the matters to which this, and several of the preceding papers relate.]

SPIRITS, DOMESTIC.

Communicated to the House of Representatives, March 2, 1793.

TREASURY DEPARTMENT, March 2, 1793.

SIR:

Pursuant to an order of the House of Representatives, of the 8th day of May last, I have the honor to transmit a general state of the revenue on stills, and on spirits distilled within the United States, exhibiting the several particulars indicated by the said order, so far as returns have been received at the Treasury; to which I beg leave to add the copy of a letter, of yesterday, from the Commissioner of the Revenue, transmitting the same to me.

With perfect respect, I have the honor to be, Sir,

Your obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Honorable the Speaker
of the House of Representatives.

TREASURY DEPARTMENT, Revenue Office, March 1, 1793.

SIR:

I have the honor to transmit to you a general state of the revenue on domestic distilled spirits, exhibiting, as far as returns have been received at the Treasury, the several objects contemplated by the House of Representatives, in their order of the 8th of May last. The supervisors of those districts, wherein the distillation is principally from domestic materials in the country, were, in many instances, unable to establish collectors, by reason of the smallness of the compensations under the first act; and you will remember, that, from that and other causes, the detailed information, which was necessary to enable the President to make the final distributions of the funds assigned for compensa-

tions and expenses, could not be collected, so as to complete that business, till the end of October.

The appointments have since been generally made, and, consequently, this revenue will now take a more orderly course.

I have the honor to be, with great respect, Sir,

Your most obedient servant,

TENCH COXE,

Commissioner of the Revenue.

The Honorable the Secretary
of the Treasury.

SPIRITS, DOMESTIC.

Communicated to the House of Representatives, January 20, 1794.

TREASURY DEPARTMENT, January 20, 1794.

SIR:

I have the honor to transmit to the House of Representatives the copy of a letter to me, from the Commissioner of the Revenue, on the subject of a return required by an order of the House, of March last, respecting the revenue arising from spirits distilled within the United States, and from stills. This letter explains certain obstacles which still postpone a compliance with that order, notwithstanding strenuous exertions to be prepared to fulfil it.

It is hoped that the House, sensible of the embarrassments which impede the complete arrangement of this branch of the public revenue, will make due allowances for a delay, which is unavoidable, and which will be terminated as speedily as possible.

With perfect respect, I have the honor to be, Sir,

Your most obedient and
Most humble servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

The Honorable the Speaker
of the House of Representatives.

TREASURY DEPARTMENT, Revenue Office, January 6th, 1794.

SIR:

The House of Representatives having directed, in March last, that a return, exhibiting certain details relative to the revenue arising from spirits distilled in the United States and from stills, should be made to them by you on the first Monday of the current month, I have the honor to reiterate to you the measures which have been taken to procure, in time, the necessary materials.

On the fifteenth day of March last, a number of printed copies of the resolution of the House was transmitted to each of the supervisors, annexed to an equal proportion of copies of instructions from this office, calculated to produce immediate attention to the subject, and a punctual transmission of the requisite documents. It appeared expedient to prepare a considerable number of copies of the letter containing the resolution and the instructions, in order to facilitate and expedite the communications from the supervisors to the subordinate officers in their respective districts. To insure the earliest attention to the business, copies of the same were transmitted to certain of those subordinate officers, who, from the residence of their respective supervisors, were subjected to delays and hazards in their official correspondence.

Although it was obvious, on the perusal of the resolution of the House of Representatives, that a punctual transmission of the ordinary returns and accounts, relative to this branch of the revenue, would enable the treasury to make up the required document; yet it appeared absolutely necessary, from obvious considerations, that it should be the subject of particular communication and instruction.

Notwithstanding these measures, and other subsequent requisitions of a like nature, it does not appear to have been within the power of several of the supervisors to transmit either the ordinary returns and accounts of the revenue business, for the necessary term (which ended on the 30th of June last), nor the occasional documents, conforming with the views of the House, and designated in the accompanying instructions from this office.

It is necessary, in justice to some of the supervisors, to

observe that the impediments are partly the opposition to the revenue from a very small proportion of the citizens of the United States, and partly the intrinsic difficulties attending the collection of the numerous small returns of the duty accruing on stills and on spirits, distilled in places other than cities, towns, and villages, under the existing provisions of the laws relative thereto.

I have the honor to be, with great respect, Sir,

Your most obedient servant,

TENCH COXE,

Commissioner of the Revenue.

The Secretary of the Treasury.

BALANCE IN THE TREASURY, AND DOMESTIC LOANS.

Communicated to the House of Representatives, February 5, 1794.

TREASURY DEPARTMENT, February 4, 1794.

The Secretary of the Treasury, pursuant to an order of the House of Representatives, of the 30th of January last, respectfully reports as follows:

The statement A, herewith transmitted, shows the moneys now in the treasury, and (as far as official documents hitherto received furnish information) such further sums as may be expected to come into it before the first day of April next, and the probable demands upon the treasury to that time, exhibiting a deficiency for satisfying those demands, equal to 621,294 dollars and eighteen cents.

It is to be observed that no materials, of which the treasury can be possessed, will, at any time, present a view definitively exact of the matters to which this statement relates. The time requisite for transmission will always occasion a considerable arrear of returns, necessary to ascertain what moneys are to be

expected within a given period: for example, it is found that the sum usually outstanding, in bonds, is about two and half millions of dollars; yet the returns received at any period rarely exhibit, beforehand, more than a million and a half. How the remainder will distribute itself, as to the times of payment, can never even be conjectured, further than as it is known that, from the course of importations, and of the credits allowed, the fall and winter are the periods of the principal receipts on account of the duties.

So, likewise, the disbursements to be made, within a given period, are, in a degree, liable to uncertainty; as in the case of the sum stated to be payable to foreign officers. It is altogether casual whether the whole, or what proportion of it, will be called for within the period. Similar, though not equal uncertainty attends the sum stated for the War Department.

The Secretary begs leave to add, for the more full information of the House, that the sums expected to be received, during the second quarter of this year, are still more inadequate to the probable expenditure, than those of the current quarter to its expenditure. The last accounts from Amsterdam strengthen the probability that a million of florins must be remitted from hence, towards the payment of an instalment of the capital of the Dutch debt, payable on the first of June.

The only pending domestic loans are, viz:

1. One made of the Bank of the United States, by virtue of the act, entitled "An act for raising a further sum of money for the protection of the frontiers, and for other purposes therein mentioned," passed the 2d day of May, 1792,	$400,000
2. Another made of the same bank, by virtue of the act, entitled "An act for making appropriations for the support of Government, for the year 1793," passed the 28th of February, 1793, - - - - - - - - -	800,000
	1,200,000

Of which the following reimbursements have been made, viz:

On account of the first mentioned loan,	$100,000	
On account of the last mentioned loan,	600,000	
		700,000
Balance still due, - -		$500,000

Both these loans are at a rate of five per cent. interest; the first has no definite term of reimbursement; the second was reimbursable by instalments at fixed periods, the last of which becomes due the first of March ensuing, and is therefore comprised in the statement A.

All which is respectfully submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

PUBLIC DEBT AND RECEIPTS AND EXPENDITURES.

Communicated to the Senate, February 10, 1794.

TREASURY DEPARTMENT, February 6, 1794.

SIR:

Having made the necessary examination into the means possessed by the treasury, for complying with a late order of the Senate, and of the time which would be requisite for preparing them, I have the honor now to communicate the result.

Several custom house returns of exports, amounting to a large sum, having been rendered for a term longer than a quarter, it is found impossible to make up that return for the twelve months, directed by the Senate, in the first paragraph. A statement, however, for one year, differing therefrom only in one quarter, is nearly matured. It can be completed in a few days after the receipt of a quarterly return for the port of Philadelphia, the custom house business of which was exceedingly deranged by the late malady.

The detailed statement of imports, for the year ending on the 30th day of June, 1792, required by the second paragraph, can

be made up in about two months, by suspending the formation of that for the year ending with September, 1792, which, in the course of the treasury business, was in preparation, and would have been completed in a few days. This will require eight extra clerks for two months, and will produce an additional expense of about six or seven hundred dollars.

The detailed statement of imports, for the year ending on the 30th of June last, also required by the second paragraph, cannot be made up at present, for want of the returns from the custom houses.

The returns of tonnage, in the old form, will exhibit what is required by the third paragraph, and can be made out in the proper office in a short time.

The two sets of tonnage, required by the fourth paragraph, can be made out in about six weeks after the preceding documents shall be completed, as they can be matured at the same time, by employing four more extra clerks, at an expense of about two hundred and fifty dollars.

The Senate will perceive, from this, the state of the business, and will judge whether it is expedient to pursue it in the form contemplated by the order. Such of the matters required, as can go on without additional expense, or the derangement of what is already on hand, are in train. And if no revocation of the order is speedily received, the other objects, as far as they are practicable, will also be prosecuted. But I feel it a duty to use the liberty of taking the present occasion to remark, that it is extremely to be desired that the two Houses of the Legislature could fix upon a plan for regulating the returns which they would choose to have made to them periodically, from the treasury, that the business might be prosecuted in conformity to that plan. Congress would then have the information which they may deem useful, and the treasury could be prepared, systematically, to furnish it, without any derangement of the current course of its operation, and without an unnecessary increase of expense. Occasional and desultory calls, frequently made for returns and statements, which involve complicated and elaborate investigations, and much clerkship, interfere more

materially with the regular conducting of the public business, than can easily be imagined, except by those who have the progress of it immediately under their eye. They oblige the principal officers and the most expert clerks to transfer so much of their attention from the ordinary and indispensable operations of the Department, as must render it impossible (if the practice should continue in the same degree in which it has for some time existed) for the officers of the Department to be responsible for the orderly, punctual, and efficacious execution of its primary and most essential objects. This conclusion has so pressed itself upon me, from experience, that I have thought it incumbent upon me to submit these reflections to the consideration of the Senate.

With perfect respect, &c.

ALEXANDER HAMILTON,
Secretary of the Treasury.

The Vice President of the United States and
President of the Senate.

LOAN.

Communicated to the House of Representatives, February 25, 1794.

Mr. SEDGWICK, from the Committee appointed to report whether any, and what, sum may be necessary to be loaned, for the purpose of carrying on the public service, for the year one thousand seven hundred and ninety-four, made the following report:

That, in their opinion, it is expedient that the President be authorized to borrow, on the credit of the United States, a sum not exceeding one million dollars, if, in his opinion, the public service shall require it.

PHILADELPHIA, February 22d, 1794.

SIR:

A committee of the House of Representatives, having in charge "to report whether any, and what, sum may be necessary to be loaned, for the purpose of carrying on the public service, for the year 1794," have directed me to request of you answers to the following questions:

1. Whether money collected on account of the United States, and deposited in banks, is, from the time of deposit, considered as in the treasury?

2. Are any, and, if any, what, means necessary to subject money, so deposited, to the control of the Treasurer?

3. In case money, so deposited, is not considered as in the treasury from the time of deposit, who is, from that time, until it passes in the treasury, responsible to the United States?

4. Is any money now so deposited, and, if any, is the probable amount such as to render a present provision for a loan, inexpedient or unnecessary?

With much esteem, &c.

THEODORE SEDGWICK.

The Honorable the Secretary
of the Treasury.

TREASURY DEPARTMENT, February 25, 1794.

SIR:

The following are answers to the questions stated in your letter of the 22d instant, viz:

Answer to question the first.

All moneys collected on account of the United States, and deposited in banks, *to the credit of the Treasurer*, are considered as in the treasury *from the time of deposit.* The steady course, with regard to the standing revenue is, that the money deposited in banks passes immediately to the credit of the Treasurer. But it is necessary, to discharge the payers, that receipts of the Treasurer should be endorsed upon warrants signed by the Secretary,

countersigned by the Comptroller, and registered by the Register, which is the course regularly observed.

Answer to question the second.

After moneys are deposited in banks to the credit of the Treasurer, they are in his control, though they may not legally be disbursed but upon warrants of the above description. If deposited without passing, in the first instance, to the credit of the Treasurer, the means used for placing them in his custody and disposal, are warrants of the like kind.

Answer to question the third.

In respect to any moneys of the United States deposited in banks, but not passed to the credit of the Treasurer, the banks are considered as directly responsible to the United States; in the case of deposits to the credit of the Treasurer, they are responsible, in the first instance, to him; ultimately, to the United States.

Answer to question the fourth.

Only two cases are recollected, in which moneys of the United States may be considered as having been deposited in bank, without passing, in the first instance, in the account of the Treasurer. These relate—

1. To the proceeds of foreign bills sold for the Government, and received by the bank (all accounts of which are finally closed).

2. To the sum of two hundred thousand dollars, *being* the only sum now so deposited, which arises from the last loan had of the bank. It is left (subject to the eventual decision of the Legislature) as an offset against the second instalment of the two million loan from the bank. The effect of the operation will be this: An interest of six per cent., payable to the bank, upon the instalment, will be extinguished, from the 31st of December last, by an interest of five per cent., payable to the bank, upon the sum borrowed of itself, and left in deposit. And it has been endeavored, thereby, to preserve consistency and regularity in the arrangements of the treasury. The first instalment, by leaving in deposit an equal sum of the proceeds of foreign bills, was considered as effected on the 31st of December, 1792, though there was not power to consummate the payment till some months

after. Hence it becomes regular, that each succeeding instalment should be paid on the last of December of each year. The *provisional* measure thus adopted, was the only expedient in the power of the treasury, to reconcile, as far as practicable, considerations relative to the public interest and credit, with legality of procedure. Neither the sum in deposit, on the one hand, nor the instalment payable to the bank, on the other, is brought into the probable state of cash, lately presented to the House of Representatives, because they balance each other, and leave the result the same.

There are no existing sources from which moneys can come into bank, on account of the United States, except from the proceeds of the revenue, which, as far as known, are comprised in the statement before the House of Representatives. So that there is no resource, but a loan, which can supply the deficit of a receipt, in the course of the present and succeeding quarter, compared with the expenditure. Without one, a failure in the public payments is inevitable.

If what has been said should not give the committee all the light they desire, it is imagined that personal explanations would lead more fully to their object, than the course of written interrogatories and answers, which can only partially embrace the subject, and may procrastinate a right understanding of it.

I am, sir, &c.

ALEXANDER HAMILTON.

THEODORE SEDGWICK, Esq.
Chairman of a Committee.

LOAN.

Communicated to the House of Representatives, April 25, 1794.

TREASURY DEPARTMENT, April 25, 1794.

The Secretary of the Treasury, pursuant to the order of the House of Representatives of the 28th of February, 1794, respectfully makes the following report:

The paper A, herewith transmitted, is a copy of the contract

with the Bank of the United States, respecting the loan of two millions of dollars, had of that institution, in conformity with a provision for that purpose, in the act by which it is incorporated.

According to the intent of this contract, as understood by the Secretary of the Treasury, and the Bank, the first instalment of 200,000 dollars, was payable on the 1st of January, 1793. The Secretary, in a report to the House of Representatives, of the 30th of November, 1792, submitted a provision for reimbursing the loan to the Bank. None was made till the time for reimbursing the first instalment, as understood between the treasury and the Bank, had elapsed. On the 1st of January, 1793, the Secretary, by letter, informed the Bank, that he would leave in deposit, as an offset against that instalment, a sum of 200,000 dollars, till legislative provision should be made concerning the matter. An act of Congress, of the 2d March, 1793, authorized the payment of this instalment, out of the proceeds of the foreign loans. But the then Attorney-General being of opinion that, upon the legal construction of the contract, compared with the words of the act, the payment could not be made till the 25th of June, 1793, the completion of the business accordingly remained suspended till the 20th of July following, when a warrant issued to pay over the proceeds of the bills in deposit, to the treasurer, and another warrant, to pay an equal sum to the Bank. Interest upon the instalment ceased on the 31st of December, 1792, by virtue of the deposit.

The foregoing transaction confirmed the principle of paying each instalment on the last day of the year. The Secretary, in a report to the House of Representatives, of the 21st December, 1793, submitted a proposition for making provision for the second instalment. None having been made, he, by a letter to the Bank, of the 31st of December, 1793, informed that the Legislature, not having yet had leisure to provide for the second instalment of the two million loan, he had concluded to suspend calling into the treasury the last instalment of a loan of 800,000 dollars, which had been contracted with the Bank; and that that sum would remain in deposit, as an offset against the first mentioned instalment, till provision should be made by law. This business

still remains in the same situation, no provision having yet been made by law; but the effect is to arrest interest, at the rate of six per cent. upon the sum payable to the Bank, by a fund obtained from the Bank itself, bearing an interest of only 5 per cent.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

A.

Agreement between Alexander Hamilton, Secretary of the Treasury of the United States, by virtue of authority from the President of the United States, on behalf of the United States, of the one part, and the President, Directors, and Company, of the Bank of the United States, of the other part.

Whereas, in and by the act, entitled "An act to incorporate the subscribers to the Bank of the United States," it is, among other things, enacted, in the words following: "That it shall be lawful for the President of the United States, at any time or times, within eighteen months after the first day of April next, to cause a subscription to be made to the stock of the said corporation, as part of the aforesaid capital stock of ten millions of dollars, on behalf of the United States, to an amount not exceeding two millions of dollars, to be paid out of the moneys which shall be borrowed by virtue of either of the acts, the one entitled 'An act making provision for the debt of the United States,' and the other entitled 'An act making provision for the reduction of the public debt;' borrowing of the bank an equal sum to be applied to the purposes for which the said moneys shall have been procured, reimbursable in ten years, by equal annual instalments, or at any time sooner, or in any greater proportions, that the Government may think fit:"

And whereas, for carrying into execution the said provision,

the President by writing under his hand, bearing date the ninth day of May last past, did authorize the said Secretary to subscribe by one or more subscriptions, on behalf, and in the name of the United States, for such number of shares of and in the capital stock of the said corporation, as, together, should amount to two millions of dollars; and the same to pay for, out of any moneys which have been, or shall be, borrowed, by virtue of either of the acts, the one entitled "An act making provision for the debt of the United States," and the other entitled "An act making provision for the reduction of the public debt;" and did further authorize the said Secretary to borrow of the said corporation, for, and on account of, the United States, an equal sum, namely, two millions of dollars, to be applied to the same purposes for which the said moneys shall have been procured, and to be reimbursable in ten years, by equal annual instalments, or at any time sooner, or in any greater proportions that the Government may think fit: *Provided*, That the interest thereof should not exceed the rate of six per centum per annum; and did also empower the said Secretary to enter into, and conclude with, the said corporation, such contracts and agreements as should be necessary for fulfilling the purposes aforesaid, promising to ratify whatever he should lawfully do in the premises:

Now, therefore, these presents witness, That it hath been agreed, and it is hereby agreed, by and between the parties aforesaid, as follows, to wit:

First. The said Secretary of the Treasury, forthwith, after the execution of these presents, shall, pursuant to the authority to him given, as aforesaid, subscribe, in some proper book, at the said bank, in the name, and on behalf of, the United States, for five thousand shares of, and in the capital stock of, the said corporation.

Secondly. The subscription, so to be made, shall be deemed to have been made on the 20th day of December last past, and the said United States shall be deemed to have become, on the said day, and shall be, proprietors of the said five thousand shares of and in the said capital stock, subject to the conditions and agreements hereinafter specified.

Thirdly. The amount of the said five thousand shares, namely, two millions of dollars, shall be payable in moieties; one moiety upon the day of the execution of these presents, the other moiety on the first day of July next.

Fourthly. The said corporation, upon the payment of each of the said moieties, shall forthwith lend, advance, and pay, *a sum equal* to such moiety to the United States, to bear an interest at the rate of six per centum per annum, subject to the terms of reimbursement in the act aforesaid specified.

Fifthly. As the dividend upon the said first moiety will begin to accrue on the said 20th day of December last past, the interest upon the loan which shall be first made, pursuant to the article next preceding, that is to say, upon the principal sum of one million of dollars, shall begin to accrue upon the said 20th day of December last, and the interest upon the said second loan of one million of dollars, shall begin to accrue upon the said first day of July next.

Sixthly. The interest upon the said loans shall be payable and paid half-yearly, that is to say, the first half-yearly payment shall be made on the first day of July next, and thereafter a half-yearly payment shall be made on the first days of January and July, in each year, until the final reimbursement of the said loans.

In testimony whereof, the said Secretary hath hereunto subscribed his hand, and caused to be affixed the seal of the Treasury of the United States, and the said President, Directors, and Company, have hereunto caused to be affixed the seal of the said corporation. Done at Philadelphia, the twenty-fifth day of June, in the year one thousand seven hundred and ninety-two.

ALEXANDER HAMILTON,
Secretary of the Treasury.

THOS. WILLING, *President.*

Attest, JOHN KEAN, *Cashier.*

PUBLIC CREDIT.

Communicated to the Senate, January 16 and 21, 1795.

TREASURY DEPARTMENT, January 16th, 1795.

SIR:

I beg leave, through you, to inform the Senate, that, pursuant to the second section of the act establishing the Treasury Department, which expressly makes it the duty of the Secretary of the Treasury, "to digest and prepare plans for the improvement and management of the revenue, and for the support of public credit," I have digested and prepared a plan, on the basis of the actual revenues, for the further support of public credit, which is ready for communication to the Senate.

This plan embraces a further provision for the subscribed debt; a provision for converting, with the consent of the creditors, the foreign into the domestic debt; a provision for augmenting the sinking fund, so as to render it commensurate with the entire debt of the United States; suggestions for giving effect to the act of the last session, granting a million of dollars for the purposes of foreign intercourse; with some auxiliary propositions.

With perfect respect, I have the honor to be,

Sir, your obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

To the Vice President of the United States and
President of the Senate.

TREASURY DEPARTMENT, January 20, 1795.

SIR:

Agreeably to the order of the Senate, I have the honor to transmit the plan for the support of public credit, announced in my letter of the 16th instant, together with sundry statements connected with it; and to be

Your most obedient and humble servant,

A. HAMILTON.

To the Vice President of the United States and
President of the Senate.

The Secretary of the Treasury respectfully makes the following report to the Senate:

The President of the United States, with that provident concern for the public welfare which characteriezs all his conduct, was pleased, in his speech to the two Houses of Congress, at the opening of the present session, to invite their attention to the adoption of a *definitive plan* for the *redemption* of the public debt, and to the consummation of *whatsoever may remain unfinished of our system of public credit*, in order to place that credit, as far as may be practicable, *on grounds which cannot be disturbed*, and to prevent *that progressive accumulation of debt, which must ultimately endanger* all government.

It was, at the same time, very justly intimated, that the period which has elapsed since the commencement of our fiscal measures (now more than four years), has so far developed our resources, as to open the way to the important work. And it is matter of solid consolation, that the result, presenting a state of our finances, prosperous beyond expectation, solicits the public councils to enter, with zeal and decision, upon measures commensurate with the greatness of the interests to be promoted.

Under the influence of this conviction, in conformity with the suggestions of the President, and pursuant to the duty which the constitution of the department, as by law established, enjoins upon the Secretary of the Treasury, he has employed himself in digesting and preparing the materials of a plan for the attainment of the invaluable ends which are recommended. And he now respectfully submits them to the consideration of Congress.

Towards a clear and distinct conception of the means necessary to the accomplishment of those ends, it will be useful, in the first place, to review what has been heretofore done. This will be presented under three heads:

I. The revenues which have been established;

II. The provisions for funding the debt, and for the payment of interest upon it;

III. The provisions for reimbursing and extinguishing the debt.

I. The revenues which have been established appear in the following acts:

1st. "An act for laying a duty on goods, wares, and merchandises, imported into the United States," passed June the 1st, 1789. This act, as its title imports, lays various specific and ad valorem rates on all articles (with exception of a few useful to agriculture and manufactures) imported from foreign countries. The lowest ad valorem rate is five per cent., with a discount of ten per cent. in favor of our own bottoms. The duration assigned these duties was the end of the session of Congress next succeeding the first day of June, 1796.

2d. "An act imposing duties on tonnage," passed July 20, 1789.

This act lays various rates of duty on the tonnage of ships and vessels *entered* in the United States from foreign countries, and, in certain cases, in one part of the United States from another.

Its duration was indefinite, no limit having been assigned.

3d. "An act imposing duties on the tonnage of ships and vessels," passed July 20, 1790.

This act is a substitute for the one last mentioned, preserving the same rates of duty, but applying them, in some instances, differently. It is, like the former, of indefinite duration.

4th. "An act making further provision for the payment of the debts of the United States," passed August 10, 1790.

This act repeals, after the last of December, 1790, the duties on imported articles, laid by the act above cited, and substitutes new, and generally increased, rates, specific and ad valorem.

The lowest ad valorem rate in this, as in the former act, is five per cent.; but the number of articles to which it applies, is much narrowed; and, instead of a discount in favor of our own bottoms, an addition of ten per cent. is made, to the disadvantage of foreign bottoms.

The number of free articles is somewhat extended, in further encouragement of agriculture and manufactures.

It is declared, that the duties laid by this act shall continue *till the debts and purposes for which they are appropriated shall be satisfied;* reserving, however, a right to Congress to *substitute* other duties or taxes of *equal* value.

5th. "An act to incorporate the subscribers to the Bank of the United States," passed the 25th of February, 1791.

The second section of this act authorizes the President to cause a subscription to be made to the stock of the bank, on account of the United States, to the amount of two millions of dollars; and, with a view to the accomplishment of that object, to borrow of the bank two millions of dollars, to be reimbursed in ten equal yearly instalments.

The difference between the interest payable on the loan, and the dividends on the stock, constitutes an item of annual income to the United States. It is unappropriated.

6th. "An act repealing, after the last day of June next, the duties heretofore laid upon *distilled spirits* imported from abroad, and laying others in their stead; and, also, upon spirits distilled within the United States, and for appropriating the same," passed the 3d of March, 1791.

This act, in conformity with its title, repeals, after June, 1791, the duties on imported spirits, laid by the act of the 10th of August, 1790, and establishes, in lieu of them, higher rates, namely, from twenty to forty cents per gallon, according to proof. It also lays duties, to commence at the same time, upon spirits distilled within the United States; namely, on those from *foreign* materials, from eleven to thirty cents, according to proof; on those from *domestic* materials, if distilled in cities, towns, or villages, from nine to twenty-five cents per gallon, according to proof; if distilled in other places, it imposes a yearly rate of sixty cents per gallon of the *capacity* of each still, with an option to the distiller to keep and render an account of the produce of his still, and to pay nine cents per gallon of the quantity of spirits distilled therein.

These duties are appropriated, primarily, *in the same manner, and to the same purposes, as those laid on imported articles by the act of the 10th August*, 1790, *and are to continue for the same time*, with

the like reservation of a right to substitute other duties or taxes of equal value. There is a further appropriation, which will be noticed hereafter.

7th. "An act for raising a further sum of money for the protection of the frontiers, and for other purposes therein mentioned," passed May 2, 1792.

This act repeals, after June, 1792, the former duties on a number of imported articles, and establishes higher duties in their stead.

It extends, among other things, the duties on foreign distilled spirits, laying on those *made from grain* 28 to 50 cents per gallon; on others, 25 to 46 cents per gallon. The *appropriation* and *duration* of these new duties are *conformable and co-extensive with those repealed.* There is, likewise, an addition of 2½ per cent. to that class of duties ad valorem, which, before, was rated at 5 per cent.; but this additional duty is limited to the term of two years.

Out of the surplus of these duties, after satisfying the permanent appropriations, certain gross sums are appropriated for the service of the War Department.

8th. "An act concerning the duties on spirits distilled within the United States," passed May 8, 1792.

This act repeals, after the last day of June, 1792, the former duties on spirits distilled within the United States, and on stills, and, instead of them, establishes lower duties, namely, on those made of *foreign* materials, from 10 to 25 cents per gallon, according to proof; on those made of *domestic* materials, if in cities, towns, or villages, or at distilleries, where the stills, singly or together, are of the *capacity* of 400 gallons, or upwards, from 7 to 18 cents per gallon, of the spirits distilled, according to proof; if made in other places, or at distilleries where the stills are of inferior capacity, the yearly rate of 54 cents per gallon, of the capacity of each still. A new option is given to the distiller, which is, instead of paying the yearly rate, to take out licenses for the monthly employment of his stills, paying, each time, 10 cents per gallon of the capacity of each still.

These new duties are appropriated *in the same manner, and for*

the same purposes, and are to continue for the same time, as those for which they are substitutes: and to *make good any deficiency* which may accrue from lowering the rates, *the surplus of the duties imposed* by the act of the second of the same month, is appropriated.

"An act to promote the progress of useful arts, and to repeal the act heretofore made for that purpose," passed February 21, 1793.

This act ordains certain fees to be paid, by persons to whom patents are granted, for inventions, discoveries, or improvements, and *appropriates them to the purpose of defraying clerk hire in the Department of State.* Its duration is indefinite.

9th. "An act to establish the Post Office and post roads, within the United States," passed May 8, 1794.

This act establishes, to commence on the first of June following, various rates of postage on letters, and directs that the Postmaster shall render to the Treasury Department, a quarterly account of receipts and expenditures, and shall pay, quarterly, into the treasury, the balance in his hands.

The duration of this act is, also, indefinite. It contains no appropriation of the sums paid into the treasury.

10th. "An act laying duties upon carriages, for the conveyance of persons," passed June 5, 1794.

This act lays different rates of duty, from ten dollars down to one dollar, upon carriages *for the conveyance of persons*, kept by or for any person, for his or her own use, or to be let to hire, or for the conveying of passengers; and to guard against misapprehension, declares, that the duties shall *not be construed* to extend to any carriage *actually and chiefly employed in husbandry,* or for the *transporting* or *carrying of goods, wares, merchandise, produce, or commodities.*

The duration of the duties is limited to the end of the session of Congress which shall be next after the term of two years, from the time of passing the act. It contains no appropriation.

11th. "An act laying duties on licenses for selling wines and foreign distilled spirituous liquors, by retail," passed June 5, 1794.

This act requires, that every retail dealer in wines, shall take

out a yearly license, and shall pay for it a duty of five dollars: and that every retail dealer in *foreign* distilled spirituous liquors, shall also take out a yearly license, and pay for it a duty of five dollars. It defines a retail dealer in wines, to be a person who deals in the selling of wines, *to be carried or sent out of the house, building, or place of his or her dwelling*, in less quantities at one time than thirty gallons, except in the original cask, case, box, or package, in which it is imported. A retail dealer of spirituous liquors to be a person who shall deal in the selling of *foreign* distilled spirituous liquors, *to be carried or sent out of the house, building, or place of his or her dwelling*, in less quantities than twenty gallons, at one time. No difference is made between the dealer in several kinds of wines, or several kinds of foreign distilled liquors, and the dealer in one kind.

The same duration is assigned to this act, as to the one last cited. It is equally without an appropriation.

12th. "An act laying certain duties upon snuff and refined sugar," passed June 5, 1794.

This act lays a duty of eight cents per pound on all snuff which, after the 30th of September, 1794, should be manufactured within the United States, and of two cents per pound on all sugar which, after that day, should be refined within the United States. The remark made upon the two last recited acts, is applicable to this, as to the duration of the duties, and the appropriation of their proceeds.

13th. "An act laying additional duties on goods, wares, and merchandises, imported into the United States," passed June 7, 1794.

This act lays upon sundry enumerated articles, on their importation from foreign countries, certain specific and ad valorem rates of duty, in addition to those before charged upon them, and adds generally, a duty of two and a half per centum on all that class of articles which were before chargeable with seven and a half per centum ad valorem. It also prolongs the temporary two and a half per centum, laid by the act of May 2, 1792, till the first of January, 1797, to which period the other duties laid by it are to continue. It contains no appropriation.

14th. "An act laying duties on property sold at auction," passed June 9, 1794.

This act lays a duty on sales at auction, by persons licensed according to the laws of a State, or this act, prohibiting others from selling at auction, of one-quarter per cent. of the purchase money arising from the sale of any right, interest, or estate, in lands, tenements, or hereditaments, utensils in husbandry, farming stock, or ships and vessels, of one-half per cent. of the purchase money, arising from the sales of any other goods, chattels, rights, or credits.

The term of these duties is limited to the end of the session next after the expiration of two years from the time of passing the act, which also is without an appropriation.

But, by an act entitled "An act making appropriations for certain purposes therein expressed," passed the same 9th of June, 1794, certain specific sums, amounting together to 1,292,137 dollars 38 cents, are charged upon the proceeds of the revenues which are created by the five last mentioned acts, and there is a reservation made out of them of a sum sufficient to pay the interest of whatever moneys may be borrowed pursuant to the act, entitled "An act making further provision for the expenses attending the intercourse of the United States with foreign nations," &c., passed the 20th of March, 1794, *which sum is pledged for the payment of that interest.*

These acts comprehend all the current revenues of the United States. Their product will appear hereafter.

In addition to them, a fund will be derived from the sale of the public lands in the Western territory. And there likewise occur, from time to time, payments into the treasury on account of old debts; but these are too casual, and of too little magnitude, to be more than cursorily mentioned.

The lands in the Western territory, of which the Government of the United States has acquired the right of soil, are estimated, in a report of the late Secretary of State, to amount to 21,000,000 of acres. This quantity, at twenty cents per acre, the price upon former occasions contemplated, would yield a sum of $4,200,000. But it is believed that it would be unsafe to count

upon so large a sum. Besides the uncertainty as to the proportion which may be of a saleable quality, and as to the price which may be obtained for it, the boundary line between the United States and the Indians is understood to be unsettled with regard to a large part of the tract on which the computation is made. If it ultimately yields three millions of dollars, it will probably equal every reasonable expectation.

II. The provisions for funding the debt, and for payment of interest upon it, are comprised in the following acts:

1st. "An act making provision for the debt of the United States," passed August 4, 1790.

This act, commonly called the funding act, contains these several provisions, viz.:

1. It reserves out of the proceeds of the duties on imports and tonnage, for the support of the Government of the United States, and their common defence, the yearly sum of 600,000 dollars.

2. It appropriates *so much of the same proceeds as should be necessary*, to the payment of interest on foreign loans, before that time contracted, or which should afterwards be contracted, for discharging the arrears of interest, and the principal of antecedent foreign loans, to continue so appropriated, till the debt created by those loans should be fully discharged.

3. It authorizes the President to borrow any sum or sums, not exceeding $12,000,000, to discharge the arrears of interest upon, and the instalments of the principal of the foreign debt, due and to grow due; and *if to be effected on advantageous terms*, to pay off the whole of that debt; and further authorizes him to make such other contracts respecting it as should be found for the interest of the United States, so that no engagement or contract should preclude from reimbursing the sums borrowed, within fifteen years after they should be borrowed.

4. In order to adapt the form of the domestic debt to the then circumstances of the United States, as far as should be found practicable, "*consistently with good faith and the rights of the*

creditors, which, it truly declares, "*could only be done by a voluntary loan on their part*," it proposes a loan to the United States, (directing for that purpose, books for subscriptions to be opened at the treasury, and by commissioners of loans in the several States, on the 1st of October, 1790, and to continue for a year), the sums subscribed to the loan to be paid in certain enumerated evidences of the debt of the United States, upon these terms, viz:

First. That the interest unpaid on the principal of those evidences, should be computed up to the last of December, 1790.

Second. That, for any sum subscribed and paid in the *principal* of the debt, the subscriber should be entitled to one certificate for a sum equal to two-thirds of the sum subscribed, bearing an interest of six per cent. per annum, commencing the 1st day of January, 1791, *payable quarter yearly*, and subject to redemption by payments not exceeding, in one year, *on account of both principal and interest*, eight dollars upon a hundred of the *original sum* so subscribed and paid; and to another certificate for a sum equal to the remaining third of that sum, which, after the year 1800, should bear a like interest, payable in like manner, and subject to a like rate of redemption. But that the United States, *though having a right to redeem in the above-mentioned proportion, should not be obliged to do it.*

Third. That for any sum subscribed and paid in the *interest* of the debt, the subscriber should be entitled to a certificate for a sum equal to the sum subscribed, bearing an interest of three per cent. per annum, from the said last day of December, 1790, payable quarter yearly, and redeemable at pleasure, by payment of the principal.

Fourth. That the new stock created by the said loan, should be *transferable on the books upon which the credit for it should stand by the proprietor or his attorney;* these books to be either those kept for the purpose at the treasury, or by commissioners of loans in the respective States; a mode being provided for the transfer from the books at one place to those at another.

Fifth. That the interest should be payable wheresoever the credit for the stock should exist, when the payment of interest

should become due; except that the dividend of interest for any quarter of a year which should not be demanded before the expiration of a third quarter, should afterwards be demandable only at the treasury.

• *Sixth.* That, for the regular payment of the interest on the several kinds of stock, to arise from the loan, as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which, before that time, had been, or, during the then session, should be provided, after *reserving, yearly,* 600,000 *dollars, for the support of the Government of the United States, and their common defence, and such sum as should be necessary for payment of interest on the foreign loans before mentioned,* should be, and thereby were, *pledged* and *appropriated*, till the final redemption of the capital stock.

5. Premising that some of the creditors of the United States might not *think fit* to become subscribers to the loan, this act declares that "*nothing contained in it should be construed in any wise to alter, abridge, or impair the rights of those creditors of the United States who should not subscribe to the loan* or the *contracts* upon which their respective claims are founded, *but that the said contracts* and rights should remain in full force and virtue." And to obviate all idea of compulsion on the creditors to subscribe, it allows to non-subscribers, during the pendency of the loan, and until the end of the year 1791, a rate per centum, on their respective demands, equal to that which is paid to subscribing creditors; on the sole condition, that the evidences of debt holden by them, except those which had been issued by the Register of the Treasury, for the registered debt, should be exchanged for other certificates, specifying the specie amount of those in exchange, for which they were given, and otherwise of the like tenor with those which had theretofore been issued by the Register of the Treasury, for the registered debt; stating, as the grounds of this condition, that some of the certificates then in circulation, had not been liquidated to specie value; that most of them were greatly subject to counterfeit; that counterfeits had actually taken place in numerous instances; and that embarrassment and imposition might attend the payment of interest on these certificates in their then form.

6. This act likewise proposes another loan, to the amount of $21,500,000, payable in the principal and interest, indiscriminately, of the evidences of debt of the respective States, according to certain quotas, to be conducted in the same manner, and to be open for the same time, as that in the domestic debt of the United States. The terms of this loan to be:

First. That, for any sum subscribed, the subscriber should be entitled to one certificate, for a sum equal to four-ninths of the subscribed sum, bearing an interest of six per centum per annum, commencing the first day of January, 1791. To another certificate, for a sum equal to two-ninths of the said subscribed sum, bearing an interest, after the year 1800, of six per centum per annum; and, to a third certificate, for a sum equal to three-ninths of the said subscribed sum, bearing an interest of three per centum per annum, commencing on the same first day of January, 1791; the interest, in each case, to be payable in like manner, and to be subject to the like redemption as that on the correspondent kinds of stock to be created by this, the said first mentioned loan. And the stock to be created by this second loan, to be *transferable* on the same principles, and in the same modes, as that produced by the former.

Second. That, for the regular payment of interest on the several kinds of stock to arise from this loan, as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which, before that time, had been, or during the then session should be, provided, *after reserving the aforesaid yearly sum of* $600,000, *the sum necessary for payment of interest on the foreign loans made, and to be made, and the sum necessary for payment of interest on the loan in the domestic debt*, should be, and thereby were, pledged and appropriated; to continue so pledged and appropriated until the final redemption of the capital stock.

7. To secure the due application of these revenues, according to the appropriations, an account of them is directed to be kept, distinct from that of the proceeds of any other revenues, except such as should be raised to make good a deficiency in those; and the faith of the United States is pledged to appropri-

ate additional and permanent funds, for satisfying such deficiency.

8. The proceeds of the sales of lands in the Western territory, then belonging, or which thereafter should belong, to the United States, are pledged and appropriated for the discharge of the debts which the United States then owed, or by virtue of that act should owe.

There are several collateral and supplementary provisions, which are omitted, as immaterial to the intended view of the subject.

2d. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, &c.," passed the 3d of March, 1791.

The proceeds of the duties, laid by this act, are made subject to the same appropriations, and in the same order of priority, as those contained in the funding act; and, to secure their due application, an account is directed to be kept of them, distinct from that of any other revenues, except those appropriated by the funding act.

3d. "An act for raising a further sum of money for the protection of the frontiers, &c.," passed May 2d, 1792.

This act, which, as has been before noticed, increased permanently the duties on certain imported articles, and laid a temporary additional duty on some others, appropriates, primarily, the proceeds of the permanent augmentations, in the same manner, and to the same purposes, as the antecedent duties were appropriated; that is, in conformity with the funding act.

4th. "An act concerning the duties on spirits distilled within the United States," passed May 8th, 1792.

This act, which lowers the duties on spirits distilled within the United States, and on stills, appropriates the proceeds of the reduced duties in the same manner as were the former duties; and, to make good whatever deficiency might be occasioned by the reduction of the rates, pledges, as a substitute, the surplus of the augmented duties laid by the last cited act.

5th. "An act providing for the payment of the second instal-

ent due on a loan made of the Bank of the United States," assed June 4th, 1794.

This act, in addition to a provision for paying that second instalment, appropriates so much of the dividends on the stock hich the United States hold in the bank, as should be necesary to the payment of interest on the capital of a loan of 2,000,000, had of the bank, pursuant to the 11th section of the ct by which it is incorporated. It also fixes the last day of December, in each year, as the annual period for the payment of he successive instalments of that loan.

6th. "An act making provision for the payment of the interest on the balances due to certain States," upon a final settlement of accounts between the United States and the individual States, passed May 30th, 1794.

This act directs that interest shall be allowed and computed on the balances to creditor States, from the last of December, 1789, to the last of December, 1794; which, being placed to their credit respectively, shall bear an interest of three per centum per annum, from the period last mentioned.

It further directs that the interest on the principal balances, to be funded agreeably to the terms of the act for the settlement of accounts, together with the interest upon the arrears of interest, computed on those balances, and forming a new capital, shall be payable at the offices of the commissioners of loans within the States to which the balances are respectively due, and shall be paid quarter yearly, after the last day of December, 1794, at the same epochs in each year, at which interest is payable, on the other parts of the funded debt; to which end, so much of the proceeds of the duties on imports and tonnage, as may be necessary, *and as were not otherwise previously appropriated*, are appropriated; and the faith of the United States is pledged to provide for any deficiency which may happen by additional and permanent funds.

There are several acts which prolong, from time to time, the subscriptions in the domestic and State debts, on the same terms as by the funding act, those in the domestic debt being continued down to the last day of December, 1794; which acts, together with

the acts particularly cited, comprise all those that relate to the funding of the public debt, and the payment of interest thereupon. The result of these acts is exhibited in the tables A, B, C. and D, which show the amount of the foreign debt; that of the funded debt, the probable amount of that which remains unfunded, of what composed, and the annual amount of interest upon the different portions of debt, according to contract, and according to the plan of this report.

III. The provisions for reimbursing and redeeming the public debt, are contained in the following acts, and are as follows. viz.:

1st. "An act making provision for the debt of the United States," passed the 4th of August, 1790.

This act, which is the one that regulates the funding of the debt, by the last section appropriates the proceeds of the sales of the lands in the Western territory, then belonging, or thereafter to belong, to the United States, to the sinking or discharging of the debts for which the United States then were, or by virtue of that act should be, holden, to be applied solely to that use, until they should be fully satisfied.

2d. "An act making provision for the reduction of the public debt," passed August 12th, 1790.

This act, premising that it is desirable, by all just and proper means, to effect a reduction of the public debt, and that the application of the surplus revenue to that object, will not only contribute to this desirable end, but will be beneficial to the creditors of the United States, by raising the price of their stock. and be productive of considerable saving to the United States, enacts—

1. That the surplus of the duties on imports and tonnage, to the end of the year 1790, shall be applied to the *purchase* of the debt of the United States, at its market price, if not exceeding the par or true value thereof.

2. That the purchases to be made shall be conducted under the direction of the President of the Senate, the Chief Justice, the Secretary of State, the Secretary of the Treasury, and the

Attorney General, who, or any three of whom, with the approbation of the President, are authorized to cause them to be made, in such manner, and under such regulations, as shall appear to them best calculated to fulfil the intent of this act: *Provided that the same should be made openly, and with due regard to the equal benefit of the several States.*

3. That the accounts of the application of the fund should be settled as other public accounts, accompanied with returns of the amount of debt, purchased at the end of each quarter of a year; and that a full and exact report of the proceedings of the commissioners should be laid before Congress, within the first fourteen days of each session, including a statement of the disbursements and purchases, specifying the times when, prices at which, and persons of whom, the purchases were made.

4. That, in addition to this fund, the President should be authorized to borrow any sum or sums, not exceeding 2,000,000 of dollars, at an interest not exceeding five per centum, to be applied to purchases of public debt, in like manner, and under the same direction and regulations as the first mentioned fund: *Provided that, out of the interest of the debt to be purchased, there should be appropriated, annually, a sum not exceeding eight per centum of the sums borrowed, towards paying the interest and reimbursing the principal of these sums.*

But, to guard against the possibility of a deficiency of means to pay the interest on the debt which was to accrue in the year 1791, authority is given to reserve and apply to that purpose, out of the first mentioned fund, as much as might be necessary to supply the defect of receipts, during that year, on account of the duties which should accrue after the year 1790.

3d. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, &c.," passed the 3d of March, 1791.

This act appropriates whatever surplus may remain, from year to year, of the proceeds of the duties which it imposes, after satisfying prior appropriations, to the reduction of the public debt, unless such surplus shall be required for the current public exigencies, and, by *special* acts of Congress, shall be appropriated thereto.

4th. An act supplementary to the act making provision for the reduction of the public debt," passed the 3d day of March, 1791.

This act declares that the terms of a loan of three millions of florins, obtained in Holland, bearing five per cent. interest, and four and a half per cent. for charges, and future loans on the same terms, should be deemed to be within the meaning of the act of the 12th of August, 1790.

5th. "An act supplementary to the act making provision for the debt of the United States," passed May 8, 1792.

This act makes provision for the payment of a debt due to certain foreign officers who had served the United States (the interest of which was, by stipulation, payable at Paris), out of the moneys authorized to be borrowed by the funding act. It also establishes a permanent sinking fund, to be composed—

1. Of the interest of the public debt purchased, redeemed, or paid into the treasury, in satisfaction of any debt or demand.

2. Of the surplus, if any, which should remain of moneys appropriated for paying the interest of the public debt, after paying that interest.

This fund is to be applied, under the direction of the commissioners nominated in the act of the 12th of August, with the like approbation of the President—

First. To the *purchase* of the several species of stock constituting the debt of the United States, at their respective market prices, not exceeding the par or true value thereof, and, as nearly as may be, in equal proportions, *until the annual amount of the fund shall be equal to two per centum of the whole amount of the outstanding funded stock, bearing a present interest of six per centum:* Thenceforth—

Second. To the *redemption* of that stock, according to the right reserved to the United States, *until the whole should be redeemed:* and, lastly, *after such redemption, to the purchase*, at its market price, of *any unredeemed debt* of the United States; which purchases are directed to be made at the lowest prices at which they can be effected by open purchase, or by receiving sealed proposals, to be opened in the presence of the commissioners, or per-

ons authorized by them to make purchases, and of the persons naking the proposals; and are to be accounted for at the treasury, and reported to Congress, in the same manner as the purhases before authorized to be made.

6th. "An act making appropriation for the support of Government, for the year 1793."

This act provides that the President of the United States hall cause so much of the loan made of the Bank of the United States, pursuant to the 11th section of the act of incorporation, o be paid off, in sums not less than 50,000 dollars, as, in his opinion, the state of the treasury may, from time to time, admit, out of any moneys which may be in the treasury, having due egard to the exigencies of the Government, and the appropriaions made, and to be made, by law.

7th. "An act making provision for the payment of the first nstalment due on a loan made of the Bank of the United States," passed March 2d, 1793.

This act authorizes the payment of the first instalment of a oan of two millions of dollars, had of the Bank of the United States, pursuant to the 11th section of the act by which it is ncorporated, out of the moneys borrowed upon the authority of he act making provision for the reduction of the public debt.

8th. "An act providing for the payment of the second instalment, due on a loan made of the Bank of the United States," passed June 4th, 1794.

This act authorizes the payment of that second instalment, out of the proceeds of any foreign loans before that time transferred to the United States. It makes other provisions which have been noticed under a preceding head.

These acts comprise all the provisions which have been made for reimbursing and redeeming the debt of the United States. The result to the last of December, 1794, is presented in the statement E.

There are two other acts, which, though not falling properly under either of the foregoing heads, require, from their relation to the subject, to be brought into view:

1. An act relative to claims against the United States, not

barred by any act of limitation, and which have not been already adjusted, passed February 12th, 1793.

This act directs that all claims of the description given in the title shall be presented at the treasury for adjustment, by the 1st of May 1794, or shall be forever after barred; except those for *loan office certificates, final settlements, indents of interest, Register's certificates, balances on the books of the treasury, loans of money in foreign countries, certificates issued under the act, entitled "An act making provision for the debt of the United States."*

Such of the claims presented as cannot be admitted in the course of the treasury, are to be reported to Congress, by the accounting officers.

Among the claims inadmissible in the ordinary course of the treasury, is a sum of 90,574 dollars, of the bills of credit, commonly called new emission money.

2. An act making further provision for the expenses attending the intercourse of the United States with foreign nations, &c., passed March 20th, 1794.

This act appropriates, in addition to former provisions, one million of dollars for the purposes mentioned in the title, to be paid out of any moneys which may be in the treasury, not otherwise appropriated, and to be applied under the direction of the President of the United States, who is also authorized, if necessary, to borrow the whole, or any part of the sum; but there is no special appropriation either for paying the interest or reimbursing the principal of the loan.

The act already quoted, of the 9th of June, 1794, entitled "An act making appropriations for certain purposes therein expressed," with a view to remedy this defect, appropriates out of the proceeds of the taxes laid during the last session, such sum as shall be sufficient to pay the interest on whatever moneys may be borrowed, pursuant to the act of March 20th, 1794.

The foregoing review of the laws which constitute the fiscal system of the United States, displays these prominent points as the leading features of that system:

1st. That all the current revenues of the United States are de-

ived from these sources, to wit: IMPORTED ARTICLES; the TONNAGE of ships and vessels; SPIRITS distilled within the United States, and STILLS; the POSTAGE of letters; FEES ON PATENTS; DIVIDENDS of bank stock; SNUFF manufactured within the United States; SUGAR refined within the United States; SALES AT AUCTION; LICENSES to retail wines and distilled spirits; CARRIAGES for the conveyance of persons.

2. That, of these revenues, the principal part of the duties on imported articles, those on the tonnage of ships and vessels, those on distilled spirits and stills, those on the postage of letters, patent fees, the dividends on bank stock, are permanent (the three first being commensurate with the existence of the debt for the payment of the interest of which they are pledged, the fourth and fifth having no limit assigned in the laws, and the last being commensurate with the duration of the property in the stock), all the others temporary; being limited to continue no longer than till the end of the session of Congress next after the expiration of two years from the respective times of passing the laws which established them, except the temporary duties on imports and tonnage, which are to continue till the 1st of January, 1797.

3d. That the permanent duties on imported articles, the tonnage duties, the duties on spirits distilled within the United States, and on stills, are subject to these permanent dispositions:

1. To an annual reservation of 600,000 dollars, for the support of the Government of the United States and their common defence.

2. To an appropriation of so much as may be necessary to pay the interest on the foreign loans, provided for by the funding act.

3. To an appropriation of so much as may be necessary to pay the interest on the stock created by the loan in domestic debt, or more properly in the original debt of the United States.

4. To an appropriation of so much as may be necessary to discharge the interest on the stock created by the loan in the debts of the respective States.

5. To an appropriation of so much as may be necessary to

should become due; except that the dividend of interest for any quarter of a year which should not be demanded before the expiration of a third quarter, should afterwards be demandable only at the treasury.

• *Sixth.* That, for the regular payment of the interest on the several kinds of stock, to arise from the loan, as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which, before that time, had been, or, during the then session, should be provided, after *reserving, yearly,* 600,000 *dollars, for the support of the Government of the United States, and their common defence, and such sum as should be necessary for payment of interest on the foreign loans before mentioned,* should be, and thereby were, *pledged* and *appropriated,* till the final redemption of the capital stock.

5. Premising that some of the creditors of the United States might not *think fit* to become subscribers to the loan, this act declares that "*nothing contained in it should be construed in any wise to alter, abridge, or impair the rights of those creditors of the United States who should not subscribe to the loan* or the *contracts* upon which their respective claims are founded, *but that the said contracts* and rights should remain in full force and virtue." And to obviate all idea of compulsion on the creditors to subscribe, it allows to non-subscribers, during the pendency of the loan, and until the end of the year 1791, a rate per centum, on their respective demands, equal to that which is paid to subscribing creditors; on the sole condition, that the evidences of debt holden by them, except those which had been issued by the Register of the Treasury, for the registered debt, should be exchanged for other certificates, specifying the specie amount of those in exchange, for which they were given, and otherwise of the like tenor with those which had theretofore been issued by the Register of the Treasury, for the registered debt; stating, as the grounds of this condition, that some of the certificates then in circulation, had not been liquidated to specie value; that most of them were greatly subject to counterfeit; that counterfeits had actually taken place in numerous instances; and that embarrassment and imposition might attend the payment of interest on these certificates in their then form.

6. This act likewise proposes another loan, to the amount of $21,500,000, payable in the principal and interest, indiscriminately, of the evidences of debt of the respective States, according to certain quotas, to be conducted in the same manner, and to be open for the same time, as that in the domestic debt of the United States. The terms of this loan to be:

First. That, for any sum subscribed, the subscriber should be entitled to one certificate, for a sum equal to four-ninths of the subscribed sum, bearing an interest of six per centum per annum, commencing the first day of January, 1791. To another certificate, for a sum equal to two-ninths of the said subscribed sum, bearing an interest, after the year 1800, of six per centum per annum; and, to a third certificate, for a sum equal to three-ninths of the said subscribed sum, bearing an interest of three per centum per annum, commencing on the same first day of January, 1791; the interest, in each case, to be payable in like manner, and to be subject to the like redemption as that on the correspondent kinds of stock to be created by this, the said first mentioned loan. And the stock to be created by this second loan, to be *transferable* on the same principles, and in the same modes, as that produced by the former.

Second. That, for the regular payment of interest on the several kinds of stock to arise from this loan, as it should accrue, *including that which is deferred*, the proceeds of the public revenues, which, before that time, had been, or during the then session should be, provided, *after reserving the aforesaid yearly sum of* $600,000, *the sum necessary for payment of interest on the foreign loans made, and to be made, and the sum necessary for payment of interest on the loan in the domestic debt*, should be, and thereby were, pledged and appropriated; to continue so pledged and appropriated until the final redemption of the capital stock.

7. To secure the due application of these revenues, according to the appropriations, an account of them is directed to be kept, distinct from that of the proceeds of any other revenues, except such as should be raised to make good a deficiency in those; and the faith of the United States is pledged to appropri-

ate additional and permanent funds, for satisfying such deficiency.

8. The proceeds of the sales of lands in the Western territory, then belonging, or which thereafter should belong, to the United States, are pledged and appropriated for the discharge of the debts which the United States then owed, or by virtue of that act should owe.

There are several collateral and supplementary provisions, which are omitted, as immaterial to the intended view of the subject.

2d. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, &c.," passed the 3d of March, 1791.

The proceeds of the duties, laid by this act, are made subject to the same appropriations, and in the same order of priority, as those contained in the funding act; and, to secure their due application, an account is directed to be kept of them, distinct from that of any other revenues, except those appropriated by the funding act.

3d. "An act for raising a further sum of money for the protection of the frontiers, &c.," passed May 2d, 1792.

This act, which, as has been before noticed, increased permanently the duties on certain imported articles, and laid a temporary additional duty on some others, appropriates, primarily, the proceeds of the permanent augmentations, in the same manner, and to the same purposes, as the antecedent duties were appropriated; that is, in conformity with the funding act.

4th. "An act concerning the duties on spirits distilled within the United States," passed May 8th, 1792.

This act, which lowers the duties on spirits distilled within the United States, and on stills, appropriates the proceeds of the reduced duties in the same manner as were the former duties; and, to make good whatever deficiency might be occasioned by the reduction of the rates, pledges, as a substitute, the surplus of the augmented duties laid by the last cited act.

5th. "An act providing for the payment of the second instal-

ment due on a loan made of the Bank of the United States," passed June 4th, 1794.

This act, in addition to a provision for paying that second instalment, appropriates so much of the dividends on the stock which the United States hold in the bank, as should be necessary to the payment of interest on the capital of a loan of $2,000,000, had of the bank, pursuant to the 11th section of the act by which it is incorporated. It also fixes the last day of December, in each year, as the annual period for the payment of the successive instalments of that loan.

6th. "An act making provision for the payment of the interest on the balances due to certain States," upon a final settlement of accounts between the United States and the individual States, passed May 30th, 1794.

This act directs that interest shall be allowed and computed on the balances to creditor States, from the last of December, 1789, to the last of December, 1794; which, being placed to their credit respectively, shall bear an interest of three per centum per annum, from the period last mentioned.

It further directs that the interest on the principal balances, to be funded agreeably to the terms of the act for the settlement of accounts, together with the interest upon the arrears of interest, computed on those balances, and forming a new capital, shall be payable at the offices of the commissioners of loans within the States to which the balances are respectively due, and shall be paid quarter yearly, after the last day of December, 1794, at the same epochs in each year, at which interest is payable, on the other parts of the funded debt; to which end, so much of the proceeds of the duties on imports and tonnage, as may be necessary, *and as were not otherwise previously appropriated*, are appropriated; and the faith of the United States is pledged to provide for any deficiency which may happen by additional and permanent funds.

There are several acts which prolong, from time to time, the subscriptions in the domestic and State debts, on the same terms as by the funding act, those in the domestic debt being continued down to the last day of December, 1794; which acts, together with

the acts particularly cited, comprise all those that relate to the funding of the public debt, and the payment of interest thereupon. The result of these acts is exhibited in the tables A, B, C, and D, which show the amount of the foreign debt; that of the funded debt, the probable amount of that which remains unfunded, of what composed, and the annual amount of interest upon the different portions of debt, according to contract, and according to the plan of this report.

III. The provisions for reimbursing and redeeming the public debt, are contained in the following acts, and are as follows, viz.:

1st. "An act making provision for the debt of the United States," passed the 4th of August, 1790.

This act, which is the one that regulates the funding of the debt, by the last section appropriates the proceeds of the sales of the lands in the Western territory, then belonging, or thereafter to belong, to the United States, to the sinking or discharging of the debts for which the United States then were, or by virtue of that act should be, holden, to be applied solely to that use, until they should be fully satisfied.

2d. "An act making provision for the reduction of the public debt," passed August 12th, 1790.

This act, premising that it is desirable, by all just and proper means, to effect a reduction of the public debt, and that the application of the surplus revenue to that object, will not only contribute to this desirable end, but will be beneficial to the creditors of the United States, by raising the price of their stock, and be productive of considerable saving to the United States, enacts—

1. That the surplus of the duties on imports and tonnage, to the end of the year 1790, shall be applied to the *purchase* of the debt of the United States, at its market price, if not exceeding the par or true value thereof.

2. That the purchases to be made shall be conducted under the direction of the President of the Senate, the Chief Justice, the Secretary of State, the Secretary of the Treasury, and the

Attorney General, who, or any three of whom, with the approbation of the President, are authorized to cause them to be made, in such manner, and under such regulations, as shall appear to them best calculated to fulfil the intent of this act: *Provided that the same should be made openly, and with due regard to the equal benefit of the several States.*

3. That the accounts of the application of the fund should be settled as other public accounts, accompanied with returns of the amount of debt, purchased at the end of each quarter of a year; and that a full and exact report of the proceedings of the commissioners should be laid before Congress, within the first fourteen days of each session, including a statement of the disbursements and purchases, specifying the times when, prices at which, and persons of whom, the purchases were made.

4. That, in addition to this fund, the President should be authorized to borrow any sum or sums, not exceeding 2,000,000 of dollars, at an interest not exceeding five per centum, to be applied to purchases of public debt, in like manner, and under the same direction and regulations as the first mentioned fund: *Provided that, out of the interest of the debt to be purchased, there should be appropriated, annually, a sum not exceeding eight per centum of the sums borrowed, towards paying the interest and reimbursing the principal of these sums.*

But, to guard against the possibility of a deficiency of means to pay the interest on the debt which was to accrue in the year 1791, authority is given to reserve and apply to that purpose, out of the first mentioned fund, as much as might be necessary to supply the defect of receipts, during that year, on account of the duties which should accrue after the year 1790.

3d. "An act repealing, after the last day of June next, the duties heretofore laid upon distilled spirits, &c.," passed the 3d of March, 1791.

This act appropriates whatever surplus may remain, from year to year, of the proceeds of the duties which it imposes, after satisfying prior appropriations, to the reduction of the public debt, unless such surplus shall be required for the current public exigencies, and, by *special* acts of Congress, shall be appropriated thereto.

4th. An act supplementary to the act making provision for the reduction of the public debt," passed the 3d day of March, 1791.

This act declares that the terms of a loan of three millions of florins, obtained in Holland, bearing five per cent. interest, and four and a half per cent. for charges, and future loans on the same terms, should be deemed to be within the meaning of the act of the 12th of August, 1790.

5th. "An act supplementary to the act making provision for the debt of the United States," passed May 8, 1792.

This act makes provision for the payment of a debt due to certain foreign officers who had served the United States (the interest of which was, by stipulation, payable at Paris), out of the moneys authorized to be borrowed by the funding act. It also establishes a permanent sinking fund, to be composed—

1. Of the interest of the public debt purchased, redeemed, or paid into the treasury, in satisfaction of any debt or demand.

2. Of the surplus, if any, which should remain of moneys appropriated for paying the interest of the public debt, after paying that interest.

This fund is to be applied, under the direction of the commissioners nominated in the act of the 12th of August, with the like approbation of the President—

First. To the *purchase* of the several species of stock constituting the debt of the United States, at their respective market prices, not exceeding the par or true value thereof, and, as nearly as may be, in equal proportions, *until the annual amount of the fund shall be equal to two per centum of the whole amount of the outstanding funded stock, bearing a present interest of six per centum:* Thenceforth—

Second. To the *redemption* of that stock, according to the right reserved to the United States, *until the whole should be redeemed;* and, lastly, *after such redemption, to the purchase,* at its market price, of *any unredeemed debt* of the United States; which purchases are directed to be made at the lowest prices at which they can be effected by open purchase, or by receiving sealed proposals, to be opened in the presence of the commissioners, or per-

sons authorized by them to make purchases, and of the persons making the proposals; and are to be accounted for at the treasury, and reported to Congress, in the same manner as the purchases before authorized to be made.

6th. "An act making appropriation for the support of Government, for the year 1793."

This act provides that the President of the United States shall cause so much of the loan made of the Bank of the United States, pursuant to the 11th section of the act of incorporation, to be paid off, in sums not less than 50,000 dollars, as, in his opinion, the state of the treasury may, from time to time, admit, out of any moneys which may be in the treasury, having due regard to the exigencies of the Government, and the appropriations made, and to be made, by law.

7th. "An act making provision for the payment of the first instalment due on a loan made of the Bank of the United States," passed March 2d, 1793.

This act authorizes the payment of the first instalment of a loan of two millions of dollars, had of the Bank of the United States, pursuant to the 11th section of the act by which it is incorporated, out of the moneys borrowed upon the authority of the act making provision for the reduction of the public debt.

8th. "An act providing for the payment of the second instalment, due on a loan made of the Bank of the United States," passed June 4th, 1794.

This act authorizes the payment of that second instalment, out of the proceeds of any foreign loans before that time transferred to the United States. It makes other provisions which have been noticed under a preceding head.

These acts comprise all the provisions which have been made for reimbursing and redeeming the debt of the United States. The result to the last of December, 1794, is presented in the statement E.

There are two other acts, which, though not falling properly under either of the foregoing heads, require, from their relation to the subject, to be brought into view:

1. An act relative to claims against the United States, not

3d. The *specie principal* of the loan office certificates, which bear interest on the nominal value, together with the arrears of interest, to be immediately paid off.

II. Proposition.

That provision be made for taking, upon loan to the United States, by subscription at the treasury, the *outstanding* and *unbarred* new emission bills of credit, the sums subscribed to be paid in the principal only of those bills, and the stock of the new loan to bear an interest of 5 per cent. per annum, payable, quarter yearly, at the treasury, and redeemable at the pleasure of the United States, by payment of the principal, with a stipulation to pay the same at the expiration of thirty years. The loan to be deemed to commence on the first of January, 1796, and to rest on funds permanently pledged, namely, the permanent revenues.

III. Proposition.

That provision be made for converting, by a new loan, the whole of our present foreign, into domestic debt, upon these terms, to wit: that, for any sum subscribed to the new loan, and paid in the principal of the present foreign debt of the United States, there be allowed, in addition to the interest now payable upon such principal, the further yearly interest of $\frac{1}{2}$ per centum, or, in lieu thereof, at the option of each subscriber, an equivalent sum in capital stock, bearing an interest of 5 per centum per annum. That the whole interest upon the new loan, including that upon the capital stock, to be given as an equivalent for the additional $\frac{1}{2}$ per cent., shall remain fixed until the first day of January, 1818, at which time, and not sooner, the principal of the said new loan, including the said capital stock given as an equivalent, may and shall be reimbursed, except as to such subscribers as may prefer a shorter term of reimbursement, who may elect any term not less than fifteen years. That the permanent revenues shall be and remain firmly pledged for the payment of the said interest, until the reimbursement of the said

principal, to be paid quarter yearly, as that of the present funded domestic debt. And, lastly, that the commissioners of the sinking fund be empowered, with the approbation of the President, to provide, by new loans, for the reimbursement of any instalment, or part of principal, of the present foreign debt, or of the loan to be made thereupon, as aforesaid, either by direct borrowing, or by sale, in the market, of certificates of stock, so as the said loan, or the said certificates of stock, shall bear an interest not exceeding 6 per centum per annum, and shall be liable to reimbursement within a term not exceeding twenty-four years. The interest upon the capital reimbursed, and, in aid thereof, the permanent revenues, to be pledged for the interest upon the loans or stock to be made or created by virtue of the said power.

IV. PROPOSITION.

That the temporary duties on imports be made coextensive, in duration, with those now permanent, and be appropriated in like manner; and that the reservation of 600,000 dollars, annually, out of the duties on imports and tonnage, for the support of the Government of the United States, and their common defence, be postponed till after the appropriations for the interest of the funded debt, foreign and domestic, and for the SINKING FUND.

V. PROPOSITION.

That the following provisions be added to those heretofore made, for reimbursing and redeeming the debt of the United States:

1st. To direct, by law, that so much of the surplus of the duties on imports and tonnage, to the end of the year 1790, as shall remain uninvested in purchases, on the 1st day of January, 1796, shall be so invested, one-fourth part within the month of April, another fourth part within the month of July, another fourth part within the month of October, in that year, and the remainder within the month of January, 1797.

2d. To exonerate the FUND established by the act, entitled

"An act supplementary to the act making provision for the debt of the United States," passed the 8th of May, 1792, from the payment of the rate, per annum, which, by the 4th section of the act of the 12th of August, 1790, entitled "An act making provision for the reduction of the public debt," is reserved, on account of the principal and interest of the moneys authorized by that act, to be borrowed for purchases of the debt; charging the interest of the moneys so borrowed, upon the revenue from imports and tonnage.

3d. To appropriate to the SAME FUND, *so much* of the revenue from imports and tonnage, as, *together with the other moneys now constituting the fund, and which shall accrue to it by virtue of the foregoing provisions*, shall be sufficient, *from year to year*, with the interest redeemed, to pay the sums which may, of right, be annually paid on account of the principal of such funded stock, as on the 1st day of January, 1796, shall bear a present interest of 6 per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States: to continue so appropriated until the whole of the said funded stock shall be redeemed, and, thenceforth, until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed or discharged.

4th. To appropriate to the SAME FUND, the *dividends* on the stock of the Bank of the United States, belonging to the United States, reserving, from time to time, *so much thereof* as may be necessary to pay *interest on what shall remain unpaid* of the loan had of the said bank, pursuant to the second section of the act of incorporation, and, also, *so much* of the duties on imports and tonnage, as, *together with those dividends* (deducting what may be necessary to pay interest), shall be sufficient, from year to year, to pay off the instalments of the said loan, hereafter to grow due, and as (the said instalments being paid) *together with any other moneys which, on the 1st day of January*, 1802, *may belong to the said fund, not otherwise appropriated*, shall be sufficient, *from year*

to year, with the interest redeemed, to pay the sums which may, of right, be annually paid on account of the principal of such funded stock, as, at the expiration of the year 1800, shall begin to bear an interest of six per cent. per annum, excluding that which shall stand to the credit of the commissioners of the SINKING FUND, and that which shall stand to the credit of particular States, on account of the balances reported in their favor, by the commissioners for settling accounts between the United States and individual States; to continue so appropriated, until, as well the last mentioned stock, as the instalments of the loan aforesaid, shall be fully redeemed and discharged, and, thenceforth, until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed and discharged.

5th. To continue the appropriation to the SAME FUND, of the *interest* of the stock which shall be redeemed by virtue of the foregoing provisions (when the full redemption in each case is completed), until the WHOLE of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, shall be redeemed, by reimbursement, purchase, or otherwise.

6th. To provide for carrying to the SAME FUND, agreeably to the appropriation in the funding act, the proceeds of the sales of the lands of the United States in the Western territory, to be applied according to the said appropriation.

7th. To appropriate to the SAME FUND, to be employed for the purposes thereof, all moneys which shall be received for debts due to the United States, antecedent to the present constitution.

8th. To provide that the surpluses of all the current revenues of the United States, which shall remain at the end of any calendar year, beyond the amount of the appropriations charged upon them, and which, during the session of Congress, commencing next thereafter, shall not be otherwise specially appropriated or reserved, shall be carried to the FUND AFORESAID, to be applied to the purposes thereof.

9th. To provide for paying, annually, out of the SAID FUND, the sum which may be rightfully paid in each year, towards the

redemption of the funded stock, which does or shall bear an interest of six per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States, commencing the redemption of that bearing a present interest, on the first of January, 1796, and of that to bear interest after the year 1800, on the first of January, 1802, and pledging, in the firmest manner, the faith of the United States to the creditors thereof, that the SAID FUND shall be inviolably applied to the purpose of redeeming the stock aforesaid, and afterwards, to the redemption of the whole of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, until the whole shall be fully redeemed and discharged, and to be vested in the commissioners of the sinking fund, as property in trust for the creditors, until the redemption of the whole of the present debt of the United States shall be completed.

Provided, always, that, whenever THE FUND shall be more than sufficient for paying off, as they accrue, the remaning instalments of the said loan had of the Bank of the United States, and for the complete and final redemption of the whole of the aforesaid stock, bearing and to bear an interest of six per cent. according to the right reserved for that purpose, and also for the payment of the instalments of the present foreign debt, or of such new loans as may be made thereupon, pursuant to the third proposition, and for the reimbursement, purchase, or redemption of the residue of the present debt of the United States, within the term of thirty years, it shall be lawful for Congress, if at war with any foreign European Power, to apply so much of the excess as they may think fit, the said excess being certified by the COMMISSIONERS OF THE SINKING FUND, towards the expenses of such war; excepting always so much of the said excess as may be requisite to fulfil any contracts which shall have been entered into by the commissioners of the sinking fund, pursuant to the powers vested in them; and provided, that no *second* appropriation of any such *excess* shall derogate from the fund

once reserved for the redemption or purchase of the said residue of the debt, within the said term of thirty years.

10th. To provide that all reimbursements of the capital of the public debt, foreign and domestic, and of the remaining instalments of the aforesaid loan of the Bank of the United States, be made under the superintendence of the commissioners of the sinking fund, empowering them, with the approbation of the President of the United States, as the instalments of principal become due, to borrow, if necessary, the sums requisite to pay those instalments. Provided, that the ultimate term for the reimbursement of any loan they may make, shall not exceed twenty-four years; the interest thereof to be charged—first, upon the interest of the instalments which shall be reimbursed by means thereof, except the instalments of funded six per cent. stock; secondly, upon the revenue from imports and tonnage, to make good any deficiency.

VI. Proposition.

That power be given to the commissioners of the sinking fund, with the approbation of the President, to borrow, from time to time, such sums as may be necessary in anticipation of the revenues appropriated for the purpose, not exceeding, in one year, one million of dollars, to be reimbursed within a year from the time of each loan, for the payment of the interest which shall annually accrue on the public debt.

The interest upon each loan to be defrayed out of the permanent revenues.

VII. Proposition.

That the internal revenues from snuff and refined sugar, sales at auction, licenses to sell by retail foreign distilled spirits and wines, carriages for the conveyance of persons, be continued to the first day of January, 1800, and that the reimbursement of the principal of the loan of 1,000,000 dollars, authorized to be borrowed for defraying the expenses of foreign intercourse, be charged upon this fund.

VIII. Proposition.

That, in regard to any sum which shall have remained *unexpended* upon any appropriations other than for the payment of the interest of the funded debt and for the purposes of the sinking fund, for more than two years after the end of the calendar year in which the act of appropriation shall have been passed, such appropriation shall be deemed to cease and determine—and the sum expended upon it shall be carried to an account to be denominated "THE SURPLUS FUND." But no appropriation shall be so deemed to have ceased or determined, till after the year 1795, unless it shall appear to the Secretary of the Treasury that the object of such appropriation has been fully satisfied; in which case, it shall be lawful for him to cause to be carried the unexpended residue thereof to the account aforesaid.

IX. Proposition.

That provision be made that all priorities, heretofore established, in the appropriations for the funded debt, as between the different parts of said debt, shall, after the year 1796, cease, with respect to all creditors of the United States who do not, before the expiration of the period, signify their dissent therefrom; and that, thenceforth, with the exception only of the debts of those creditors who shall so signify their dissent, the revenues charged with these appropriations shall constitute a common or consolidated fund, chargeable indiscriminately and without priority.

X. Proposition.

That provision be made for calling in all outstanding Loan Office certificates, certificates called final settlements, and indents of interest, and for issuing, in lieu of them, other certificates of equivalent tenor, establishing that all which shall not be presented for exchange within the term of two years shall be barred

Remarks upon the First Proposition.

The experiment has now been fully tried, and with nearly complete success, of the disposition of the public creditors to accept the terms offered by the funding act. Those who still decline have probably made a final election to abide by their original contracts.

It remains to fulfil them. This, the moral obligation of the contracts, the new and peremptory sanction given to them by the present Government, and the essential maxims of public credit, unite to demand; and, while these cogent motives, affecting intimately the permanent character and general interest of the United States, recommend the measure, there is now no longer any momentary inducement, from situation, to procrastinate.

The present advanced state of the national finances, and the inconsiderable magnitude of the still unsubscribed debt, render it of little, if any, consequence to obtain upon it the temporary accommodation of deferring the payment of a part of the interest *accruing* according to contract. This motive apart, and considering the approximation of the period when the payment of interest on the deferred debt is to commence, the chance of benefiting by a fall of the market rate of interest, incident to a provision for the debt on the terms of the contract, which make it redeemable at pleasure, may be found more advantageous to the Government, than the partial postponement of interest encumbered with an abridgment of the right of redemption.

To those who should not rightly appreciate this circumstance, it might seem an objection, that the provision proposed would place those creditors, who had not consented to accommodate the Government, upon a better footing than those who had so consented.

But a scruple of this kind is overruled by several considerations. 1st. It is not improbable that a considerable proportion of those who may not have accepted the terms offered by the funding act, are executors and other trustees, who may have doubted their power to accept.

2d. Giving the fullest force to the fact which is the ground of

the objection, it is one of those cases in which the general principles that constitute the permanent happiness of society, give the less meritorious advantages over the more meritorious. All the creditors had a right to conform, or not. Those who have not done it have only used their right, and it cannot be matter of objection or prejudice to them. To delay indefinitely a provision for their claims, according to contract, is to annihilate the contract.

The complying creditors cannot with propriety complain. They were informed unequivocally that the proposal of a new loan was referred to their free choice; that the rights of those who did not assent would remain unimpaired; and compensations were offered in the new contracts for the surrender of the old. A plea that an ultimate provision was not relied upon, could not be admitted, because it would be to convert a distrust of the faith of the Government into an argument against its being observed towards those who had depended upon it.

But the complying creditors actually received valuable considerations for the modification of their claims, instead of *annual* provision for their interest, which alone their contracts, as they stood previous to the funding act, required; they have had it secured by *adequate funds permanently mortgaged* for its payment.

Instead of the stipulated annuity being *redeemable at pleasure*, whenever a fall in the market rate of interest should render it advantageous to pay off the principal, it has acquired a more *fixed* character by the relinquishment of the right of the Government to redeem, except in certain proportions, and a capacity to increase in capital value, by a declension of the market rate of interest.

Instead of receiving their interest in one payment, at the end of a year, they receive it in quarter yearly portions, which makes it, in fact, 6.15 per cent. in lieu of the stipulated rate of six per centum.

On the first point it has been argued that, supposing a steady preservation of its faith by the Government, it is indifferent to the creditor whether his demand stands upon the basis of an annual provision, or upon that of mortgaged funds.

This is to substitute theory to fact. As well with regard to a government as to an individual, there is, in the nature of things, an *intrinsic* difference between the value of a debt bottomed on mortgaged funds, and that of a debt resting on what is called, in the one case, and may be called in the other, personal security. The degree of this difference, and some of the circumstances on which it depends, may be different in the two cases, but the reality of its existence can be denied in neither.

Government, being administered by men, is naturally, like individuals, subject to particular impulses, passions, prejudices, vices; of course to inconstancy of views and mutability of conduct.

A kind of property, of which the essence is contract, must necessarily, therefore, be more or less valuable, because more or less secure, in proportion as it is little or much exposed to the influence of that inconstancy or that mutability.

If a provision is to be made by a new resolution every year, that resolution, being always liable to be affected by momentary circumstances, is always casual.

If made once for all, it continues, of course, unless revoked by some positive act, and has for that reason a moral certainty of stability.

But why, it might be asked, if a disposition unfaithful to the public engagements, or unfriendly to the public credit, should exist, would it not operate to produce a violation of a provision made, as well as to prevent the making of one?

The two things are widely different. To *undo*, which is to *act*, and in such a case *to act with violence*, requires more enterprise and vigor, and presupposes greater energy, or a stronger impulse, than *not to do*, or to forbear to act. This is particularly true where a number of wills is to concur. Many men who will not rouse to the effort, or encounter the responsibility of doing mischief by positive acts, will readily enough slide into it by a negative conduct; that is, by omitting to act. Many men, merely from easiness of temper or want of active fortitude, will suffer evil to take place which they neither desire nor would themselves commit. In collective bodies, *votes* are necessary to ACTION:

3d. The *specie principal* of the loan office certificates, which bear interest on the nominal value, together with the arrears of interest, to be immediately paid off.

II. Proposition.

That provision be made for taking, upon loan to the United States, by subscription at the treasury, the *outstanding* and *unbarred* new emission bills of credit, the sums subscribed to be paid in the principal only of those bills, and the stock of the new loan to bear an interest of 5 per cent. per annum, payable, quarter yearly, at the treasury, and redeemable at the pleasure of the United States, by payment of the principal, with a stipulation to pay the same at the expiration of thirty years. The loan to be deemed to commence on the first of January, 1796, and to rest on funds permanently pledged, namely, the permanent revenues.

III. Proposition.

That provision be made for converting, by a new loan, the whole of our present foreign, into domestic debt, upon these terms, to wit: that, for any sum subscribed to the new loan, and paid in the principal of the present foreign debt of the United States, there be allowed, in addition to the interest now payable upon such principal, the further yearly interest of $\frac{1}{2}$ per centum, or, in lieu thereof, at the option of each subscriber, an equivalent sum in capital stock, bearing an interest of 5 per centum per annum. That the whole interest upon the new loan, including that upon the capital stock, to be given as an equivalent for the additional $\frac{1}{2}$ per cent., shall remain fixed until the first day of January, 1818, at which time, and not sooner, the principal of the said new loan, including the said capital stock given as an equivalent, may and shall be reimbursed, except as to such subscribers as may prefer a shorter term of reimbursement, who may elect any term not less than fifteen years. That the permanent revenues shall be and remain firmly pledged for the payment of the said interest, until the reimbursement of the said

principal, to be paid quarter yearly, as that of the present funded domestic debt. And, lastly, that the commissioners of the sinking fund be empowered, with the approbation of the President, to provide, by new loans, for the reimbursement of any instalment, or part of principal, of the present foreign debt, or of the loan to be made thereupon, as aforesaid, either by direct borrowing, or by sale, in the market, of certificates of stock, so as the said loan, or the said certificates of stock, shall bear an interest not exceeding 6 per centum per annum, and shall be liable to reimbursement within a term not exceeding twenty-four years. The interest upon the capital reimbursed, and, in aid thereof, the permanent revenues, to be pledged for the interest upon the loans or stock to be made or created by virtue of the said power.

IV. PROPOSITION.

That the temporary duties on imports be made coextensive, in duration, with those now permanent, and be appropriated in like manner; and that the reservation of 600,000 dollars, annually, out of the duties on imports and tonnage, for the support of the Government of the United States, and their common defence, be postponed till after the appropriations for the interest of the funded debt, foreign and domestic, and for the SINKING FUND.

V. PROPOSITION.

That the following provisions be added to those heretofore made, for reimbursing and redeeming the debt of the United States:

1st. To direct, by law, that so much of the surplus of the duties on imports and tonnage, to the end of the year 1790, as shall remain uninvested in purchases, on the 1st day of January, 1796, shall be so invested, one-fourth part within the month of April, another fourth part within the month of July, another fourth part within the month of October, in that year, and the remainder within the month of January, 1797.

2d. To exonerate the FUND established by the act, entitled

"An act supplementary to the act making provision for the debt of the United States," passed the 8th of May, 1792, from the payment of the rate, per annum, which, by the 4th section of the act of the 12th of August, 1790, entitled "An act making provision for the reduction of the public debt," is reserved, on account of the principal and interest of the moneys authorized, by that act, to be borrowed for purchases of the debt; charging the interest of the moneys so borrowed, upon the revenue from imports and tonnage.

3d. To appropriate to the SAME FUND, *so much* of the revenue from imports and tonnage, as, *together with the other moneys now constituting the fund, and which shall accrue to it by virtue of the foregoing provisions*, shall be sufficient, *from year to year*, with the interest redeemed, to pay the sums which may, of right, be annually paid on account of the principal of such funded stock, as on the 1st day of January, 1796, shall bear a present interest of 6 per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States; to continue so appropriated until the whole of the said funded stock shall be redeemed, and, thenceforth, until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed or discharged.

4th. To appropriate to the SAME FUND, the *dividends* on the stock of the Bank of the United States, belonging to the United States, reserving, from time to time, *so much thereof* as may be necessary to pay *interest on what shall remain unpaid* of the loan had of the said bank, pursuant to the second section of the act of incorporation, and, also, *so much* of the duties on imports and tonnage, as, *together with those dividends* (deducting what may be necessary to pay interest), shall be sufficient, from year to year, to pay off the instalments of the said loan, hereafter to grow due, and as (the said instalments being paid) *together with any other moneys which, on the 1st day of January*, 1802, *may belong to the said fund, not otherwise appropriated*, shall be sufficient, *from year*

to year, with the interest redeemed, to pay the sums which may, of right, be annually paid on account of the principal of such funded stock, as, at the expiration of the year 1800, shall begin to bear an interest of six per cent. per annum, excluding that which shall stand to the credit of the commissioners of the SINKING FUND, and that which shall stand to the credit of particular States, on account of the balances reported in their favor, by the commissioners for settling accounts between the United States and individual States; to continue so appropriated, until, as well the last mentioned stock, as the instalments of the loan aforesaid, shall be fully redeemed and discharged, and, thenceforth, until the whole residue of the present debt of the United States, foreign and domestic, funded and unfunded, shall be redeemed and discharged.

5th. To continue the appropriation to the SAME FUND, of the *interest* of the stock which shall be redeemed by virtue of the foregoing provisions (when the full redemption in each case is completed), until the WHOLE of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, shall be redeemed, by reimbursement, purchase, or otherwise.

6th. To provide for carrying to the SAME FUND, agreeably to the appropriation in the funding act, the proceeds of the sales of the lands of the United States in the Western territory, to be applied according to the said appropriation.

7th. To appropriate to the SAME FUND, to be employed for the purposes thereof, all moneys which shall be received for debts due to the United States, antecedent to the present constitution.

8th. To provide that the surpluses of all the current revenues of the United States, which shall remain at the end of any calendar year, beyond the amount of the appropriations charged upon them, and which, during the session of Congress, commencing next thereafter, shall not be otherwise specially appropriated or reserved, shall be carried to the FUND AFORESAID, to be applied to the purposes thereof.

9th. To provide for paying, annually, out of the SAID FUND, the sum which may be rightfully paid in each year, towards the

redemption of the funded stock, which does or shall bear an interest of six per centum per annum, excluding that which shall stand to the credit of the commissioners of the sinking fund, and that which shall stand to the credit of particular States, on account of the balances reported in their favor by the commissioners for settling accounts between the United States and individual States, commencing the redemption of that bearing a present interest, on the first of January, 1796, and of that to bear interest after the year 1800, on the first of January, 1802, and pledging, in the firmest manner, the faith of the United States to the creditors thereof, that the SAID FUND shall be inviolably applied to the purpose of redeeming the stock aforesaid, and afterwards, to the redemption of the whole of the PRESENT DEBT of the United States, foreign and domestic, funded and unfunded, until the whole shall be fully redeemed and discharged, and to be vested in the commissioners of the sinking fund, as property in trust for the creditors, until the redemption of the whole of the present debt of the United States shall be completed.

Provided, always, that, whenever THE FUND shall be more than sufficient for paying off, as they accrue, the remaning instalments of the said loan had of the Bank of the United States, and for the complete and final redemption of the whole of the aforesaid stock, bearing and to bear an interest of six per cent. according to the right reserved for that purpose, and also for the payment of the instalments of the present foreign debt, or of such new loans as may be made thereupon, pursuant to the third proposition, and for the reimbursement, purchase, or redemption of the residue of the present debt of the United States, within the term of thirty years, it shall be lawful for Congress, if at war with any foreign European Power, to apply so much of the excess as they may think fit, the said excess being certified by the COMMISSIONERS OF THE SINKING FUND, towards the expenses of such war; excepting always so much of the said excess as may be requisite to fulfil any contracts which shall have been entered into by the commissioners of the sinking fund, pursuant to the powers vested in them; and provided, that no *second* appropriation of any such *excess* shall derogate from the fund

once reserved for the redemption or purchase of the said residue of the debt, within the said term of thirty years.

10th. To provide that all reimbursements of the capital of the public debt, foreign and domestic, and of the remaining instalments of the aforesaid loan of the Bank of the United States, be made under the superintendence of the commissioners of the sinking fund, empowering them, with the approbation of the President of the United States, as the instalments of principal become due, to borrow, if necessary, the sums requisite to pay those instalments. Provided, that the ultimate term for the reimbursement of any loan they may make, shall not exceed twenty-four years; the interest thereof to be charged—first, upon the interest of the instalments which shall be reimbursed by means thereof, except the instalments of funded six per cent. stock; secondly, upon the revenue from imports and tonnage, to make good any deficiency.

VI. Proposition.

That power be given to the commissioners of the sinking fund, with the approbation of the President, to borrow, from time to time, such sums as may be necessary in anticipation of the revenues appropriated for the purpose, not exceeding, in one year, one million of dollars, to be reimbursed within a year from the time of each loan, for the payment of the interest which shall annually accrue on the public debt.

The interest upon each loan to be defrayed out of the permanent revenues.

VII. Proposition.

That the internal revenues from snuff and refined sugar, sales at auction, licenses to sell by retail foreign distilled spirits and wines, carriages for the conveyance of persons, be continued to the first day of January, 1800, and that the reimbursement of the principal of the loan of 1,000,000 dollars, authorized to be borrowed for defraying the expenses of foreign intercourse, be charged upon this fund.

would facilitate the success of the measure. On strict calculation, the equivalent would be six dollars and fifty-eight cents per 100 dollars of the principal subscribed. It is not perceived that the interests of the United States could suffer by allowing the alternative. The fixing of the rate of interest, by postponing the reimbursement to the year 1818, would also be a powerful inducement. And till the period of reimbursement arrives, any surplus of the sinking fund which may exist, can be invested in purchases, so as to prevent the progress of the fund being arrested.

It could not be necessary to observe, except for the sake of dispelling jealousy or apprehension on the part of the creditors, *that, while the plan is in experiment, and afterwards, with regard to all who do not embrace it*, every thing is to proceed as heretofore, and as the contracts respecting the debt require.

The auxiliary proposition of giving power to the commissioners of the sinking fund to remit certificates for sale, is founded upon a belief that this operation will sometimes be practicable, where direct loans cannot be effected, and will be occasionally a more beneficial mode of remittance than by bills of exchange.

Remark on the Fourth Proposition.

The object of this proposition is to give moral certainty to the adequateness of the fund for paying the interest upon the debt, and for its ultimate redemption, making a reasonable allowance for the casualties to which it is exposed.

Remarks on the Fifth Proposition.

There is no sentiment which can better deserve the serious attention of the legislators of a country, than the one expressed in the speech of the President, which indicates the danger to every government from the progressive accumulation of debt. A tendency to it is, perhaps, the natural disease of all governments; and it is not easy to conceive any thing, more likely than this, to lead to great and convulsive revolutions of empire.

On the one hand, the exigencies of a nation, creating new causes of expenditure, as well from its own, as from the ambition, rapacity, injustice, intemperance, and folly, of other nations, proceed in increasing and rapid succession. On the other, there is a general propensity in those who administer the affairs of a government, founded in the constitution of man, to shift off the burden from the present to a future day—a propensity which may be expected to be strong in proportion as the form of a State is popular.

To extinguish a debt which exists, and to avoid the contracting more, are ideas always favored by public feeling and opinion; but to pay taxes for the one or the other purpose, which are the only means of avoiding the evil, is always, more or less, unpopular. These contradictions are in human nature; and happy, indeed, would be the lot of a country that should ever want men ready to turn them to the account of their own popularity, or to some other sinister account.

Hence, it is no uncommon spectacle to see the same men clamoring for occasions of expense, when they happen to be in unison with the present humor of the community, whether well or ill directed, declaiming against a public debt, and for the reduction of it as an abstract thesis; yet vehement against every plan of taxation which is proposed to discharge old debts, or to avoid new, by the defraying expenses of exigencies as they emerge.

These unhandsome arts throw artificial embarrassment in the way of the administrators of a Government, and, co-operating with the desire which they themselves are too apt to feel to conciliate public favor, by declining to lay even necessary burthens, or with the fear of losing it, by imposing them with firmness, serve to promote the accumulation of debt, by leaving that which exists without adequate provision for its reimbursement, and by preventing the levying, with energy, new taxes, when new occasions of expense occur. The consequence is, that the public debt swells till its magnitude becomes enormous, and the burthens of the people gradually increase, till their weight becomes intolerable. Of such a state of things, great disorders in the

whole political economy, convulsions and revolutions of government, are a natural offspring.

There can be no more sacred obligation, then, on the public agents of a nation, than to guard, with provident foresight and inflexible perseverance, against so mischievous a result. True patriotism and genuine policy cannot, it is respectfully presumed, be better demonstrated by those of the United States, at the present juncture, than by improving, efficaciously, the very favorable situation in which they stand, for extinguishing, with reasonable celerity, the actual debt of the country, and for laying the foundation of a system which may shield posterity from the consequences of the usual improvidence and selfishness of its ancestors, and which, if possible, may give IMMORTALITY to PUBLIC CREDIT.

Fortunately for the first object, the circumstances in our foreign affairs, which, during the last session, impelled to an extension of the national revenues, have left little more to do than to apply the existing means with decision and efficacy.

The second object will depend on the establishment of wise principles in the application, fitted to become a permanent precedent in the fiscal system of the country.

The first report of the Secretary on the subject of the public debt, of the 9th of January, 1790, suggests the idea of "incorporating, as a *fundamental maxim* in the system of public credit of the United States, that the *creation* of debt should *always* be *accompanied with the means of extinguishment;* that this is the *true secret for rendering public credit immortal*, and that it is difficult to conceive a situation in which there may not be *an adherence to the maxim;*" and it expresses "an unfeigned solicitude, that *this* may be attempted by the United States, and that they may commence their measures for the establishment of credit with the observance of it." *

* It is understood that the Parliament of Great Britain has, within the last four years, formally adopted, as a *standing rule*, the principle of *incorporating*, with *the creation of debt, the means of extinguishment.* How much easier must the execution of this important principle be to the United States, than to a nation which before it began, had so deeply mortgaged its resources. Let the United States never have to regret, hereafter, that they postponed too long so provident a precaution.

No opportunity has been lost by the Secretary, as far as he could contribute to the event, to reduce this principle to practice; and important steps towards it have been, from time to time, taken by the Legislature.

But much remains to be done to give it full effect. The present state of things encourages and invites to the consummation of the plan. And the Secretary, about to leave the office he holds, feels it a peculiar duty to make a final effort to promote that invaluable end.

This is the object of the fifth proposition, aided by the preliminary provisions of the 4th. This proposition aims at two principal points: 1. To constitute a fund sufficient, in every supposable event, for extinguishing the whole of the present debt of the United States, foreign and domestic, in a period not exceeding thirty years. 2. To fix its destination unchangeably, by not only appropriating it permanently, under the direction of commissioners, and vesting it in them as property in trust, but by making its faithful application *a part of the contract with the creditors.*

As to the first point: If the temporary duties on imports be rendered permanent, the annual reservation of six millions of dollars postponed; and if the additional appropriations which are proposed, be made to the sinking fund; its intended force will not only be equal to the effect meant to be produced, but it may be hoped that there is scarcely a casualty which can reasonably be taken into calculation, foreign war not excepted, which will occasion a deficiency in the fund.

The whole amount of the duties on imports and tonnage, and upon domestic distilled spirits and stills, estimated now to amount to $6,079,418 58, besides the dividends on bank stock, and the items which now compose the sinking fund, will then be appropriated, primarily, to the interest upon the public debt, and to the sinking fund; which, together, including the deferred stock, will demand, permanently, from that revenue, $4,373,836 03—little more than two-thirds of the fund from which they arise. An expectation may be indulged, that even foreign war, making due allowance for what will always be

practicable through neutral Powers, would not occasion a defalcation in the revenues greater than the difference. This competency of the fund is an essential idea. The fulfilment of the object, as far as the uncertainty of human affairs will permit, ought to be superior to casualty.

The necessity of a reliance on auxiliary provisions, always precarious in those situations which affect the productiveness of the public revenues, ought to be, as far as practicable, superseded by the ample nature of the provision.

As to the second point: The intent is to secure, by all the sanctions of which the subject is susceptible, an inviolable application of the fund, according to its destination. No expedients more powerful can be devised for this purpose, than to clothe it with the character of *private property*, and to engage absolutely the faith of the Government, by making the application of it to the object, *a part of the contract with the creditors*.

But is this necessary?

Its necessity rests on these cogent reasons: The *inviolable* application of an adequate sinking fund is the only practicable security against an excessive accumulation of debt, and the essential basis of a permanent national credit.

Experience has shown, in countries the most attentive to the principles of credit, that a simple appropriation of the sinking fund is not a complete barrier against its being diverted, when immediate exigencies press. The causes which have been stated with another view, tempt the administrators of Government to lay hold of this resource rather than resort to new taxes. This indicates the utility of endeavoring to give, by additional sanctions, inviolability to the fund.

But, will those proposed answer the end?

They are the most efficacious that can be imagined, and they are likely to be entirely efficacious. They cannot be disregarded, without, by breach of faith and contract, destroying credit; and at a juncture, too, when it is most indispensable. The emergencies which induce a diversion of the fund, are those in which loans, and, consequently, credit, are most needed.

But will it be safe to put the fund so entirely out of the

command of the Government? May there not be situations in which the command of it may be requisite to the safety of the State?

This is not conceivable. The amount of the sinking fund will, in the situations which create extraordinary demands for money, be always inconsiderable, compared even with a single year's expenditure. The current revenues of a nation do not, in such cases, suffice. Plunder or credit must supply the deficiency. The first presupposes a subversion of all social order. The second will find its best support and greatest efficacy in adhering steadily to the principles of such a fund. An annuity of seven dollars will pay the interest upon, and discharge a capital of one hundred dollars, bearing six per cent. interest, in thirty-three and a third years, nearly. The situation of a country must be not a little exhausted, if it cannot create yearly, by new revenues, during the continuance of a foreign war, an annuity on the above scale, sufficient to fund the loans of which it may stand in need. Ten millions of dollars will, with order and economy, maintain, in this country, an army of fifty thousand men for a year. Viewing our geographical position, is there a prospect of any war expensive beyond this ratio? If not, an annuity of seven hundred thousand dollars, created each year of the war, would suffice. But it would be wise, in such an event, to carry taxation, in the first instance, to the full extent of the ability of the State, which would proportionably contract the necessity for borrowing, and, consequently, the extent of the annuities necessary for loans.

If a nation can find embarrassment in creating the revenues requisite on this scale, it must arise from her having reached a stage when, from the neglect of the principle now inculcated, the mass of her debt has become so enormous as to strain her faculties in order to make a provision for it.

The United States are in a situation altogether different. An inspection of the list of their revenues discovers that they have a large field of resource unexplored. Their youth, and large tracts of unsettled lands, and land in the infancy of improvement, assure them a great and rapid increase of means. Even their

actual revenues, without additions, must, with the progress of the country, considerably increase. And, though war may interrupt, the temporary interruption being removed by the restoration of peace, their increasing productiveness, suspended for a time, must resume its vigor and growth. In a given number of years, a considerable augmentation is certain.

The Government of this country may, therefore, adopt, fearless of future embarrassment, a principle which, being adopted, will ultimately furnish resources for future exigencies, without an increase of burthen to the community.

To explain this last idea: It will readily be perceived, that the funds pledged for paying the interest, and sinking the principal of a portion of the debt existing or created at a particular time, will, within a certain period, extinguish that portion of debt.

They will then be liberated, and will be ready for any future use, either to defray current expenditures, or be the basis of new loans, as circumstances may dictate. And, after a course of time, it is a reasonable presumption, that the funds, so successively liberated, will be adequate to new exigencies, as they occur.

Moreover, the last clause of the proposition authorizes the deriving aid from the sinking fund for new loans, whenever the state of the fund admits of it, consistently with the accomplishment of its purposes; that is, when it is sufficient—1st, to make good the payments on account of the principal of the debt as they accrue; 2d, to purchase in the market all that part of the public debts of which there is no stipulation of payment by instalment (as the three per cent. stock), within a period of thirty years.

This, while it secures the extinction of the existing debt, within a reasonable term, by preventing too great a proportion of the public revenue from being tied up by the sinking fund, gives due weight to the consideration of providing for future emergencies.

The same consideration has governed in proposing (instead of the appropriation of a definite sum out of the revenue from imports and tonnage, which, in certain years, would be greater

than will be permanently necessary), that the sum to be applied out of that revenue shall be so much, from year to year, as, with the other items of the sinking fund, will suffice for the object. It has likewise influenced in postponing the redemption of that stock, which stands to the credit of certain States, in consequence of the report of the commissioners for settlement of accounts.

Every system of public credit must assume it as a fundamental principle, that the resources of the country are equal to its probable exigencies, and that it will possess ability to pay the debts which it contracts. If this be so, there is no cause to hesitate about the inviolable appropriation of funds to the extinction of an existing debt, within no less a term than thirty years.

Indeed, as before intimated, it cannot be doubted that the resources of a credit, built upon a foundation so solid as that which is recommended, will more than replace, even in the earliest stages of our affairs, the use of the additional funds withdrawn from the command of the Government, to effect it, and, in the eventual operation, will give a more abundant command of funds than it can otherwise have. The successive liberation of the revenues, successively pledged, after accomplishing their object, will afford resources that may almost be said to be inexhaustible.

It should be recollected, too, that the public arrangements may, under a great pressure, anticipate the approaching period of such liberation, by intermediate temporary loans, to be replaced by those funds when they are free.

This proposition exemplifies, as to the past, the nature of the maxim which has been supposed capable of giving immortality to credit, namely: that, with the *creation* of debt, should be incorporated the *means* of extinguishment; which means are twofold: 1. *The establishing, at the time of contracting a debt, funds for the reimbursement of the principal*, as well as for the payment of interest within a determinate period. 2. The *making it a part of the contract*, that the fund, so established, shall be inviolably applied to the object.

It is believed that it would be happy for the United States, if Congress would adopt this principle as a rule in all future loans

—never to be departed from; and a good evidence of this determination will be, to apply it to the past.

This would be, at the same time, an antidote against what may be pronounced the most plausible objections to the system of *funding* public debts; which are, that, by facilitating the means of supporting expense, they encourage to enterprises which produce it; and, by furnishing in credit a substitute for revenue, likely to be too freely used, to avoid the odium of laying new taxes, they occasion a tendency to run in debt. Though these objections to funding systems, which, giving the greatest possible energy to public credit, are a great source of national security, strength, and prosperity, are very similar to those which speculative men urge against national and individual opulence, drawn from its abuses; and though, perhaps, upon a careful analysis of facts, they would be found to have much less support in them than is imagined, attributing to those systems effects which are to be ascribed, more truly, to the passions of men, and perhaps to the genius of particular governments; yet, as they are not wholly unfounded, it is desirable to guard, as far as possible, against the dangers which they suppose, without renouncing the advantages which these systems undoubtedly afford.

It will readily be seen, that the maxim of making concurrent provision for the principal as well as interest, in the act of contracting debt, if, by *precedent* and *habit*, it can be rendered a rule of administration, by implicating a greater portion of the revenue in every such operation than would be requisite for a mere provision for interest, will control proportionably the disposition to defer the burthen to futurity, and create a greater necessity for circumspection in incurring expense.

It is, probably, the true expedient for uniting a due regard to the present accommodation of the community, with a due care not to overburthen posterity—the full energy of public credit, with a salutary restraint upon the abuses of it.

To this explanation of the general principles of the fifth proposition, it may be proper to add some brief notes on particular parts of it.

It is proposed that the redemption of the present six per cent.

stock shall commence on the 1st of January, 1796. This time of commencement is recommended by several reasons: 1. It ought to be such as to admit of sufficient notice to distant creditors. 2. It will favor order, to date the commencement of every new pecuniary operation, where there is an option, and no particular reason to the contrary, with the commencement of the natural year. 3. The moment of payment presupposes that the annuity to be paid has actually accrued, which will not be the case till the end of the present year. 4. The small delay, by not forcing the means, will facilitate the future execution.

It is a part of the plan, to make provision for reimbursing the remaining instalments of the two million loan, had of the Bank of the United States, pursuant to the act of incorporation. The preceding instalments have been reimbursed out of the proceeds of foreign loans. This resource cannot, in future, be relied upon; and, for such a purpose, it is not as eligible as a domestic one, though circumstances have hitherto dictated a recurrence to it. By making the dividends on the stock auxiliary for this purpose to the revenue from taxes, the object is effected with little more than half the sum from that revenue; and, in the end, a fund is formed from the dividends, which, with a small addition, suffices for the redemption of the deferred stock. As these instalments are yearly falling due, and must be, as they accrue, it is essential that a provision for them be contemplated in the general arrangement requisite to the completion of our system of credit. There is, perhaps, no easy alternative to what is proposed, except the sale of the stock. But, waiving other weighty considerations against such a measure, it is, in the view of a true economy, liable to the most solid objections.

It is morally certain, that the dividends on the stock will increase, and the value of the capital, from this and collateral causes, more than proportionably. There is no momentary urgency to induce the relinquishment of this future advantage. To sell at present, would be to abandon the difference without necessity. It cannot be expedient in a government to part with a capital, which, at the time, produces as great or a greater revenue, than can be realized from the proceeds of a sale, how-

ever invested; and which has an inherent tendency to future augmentation. The measure, too, would be to renounce, or lessen, a most convenient resource for forming the redeeming fund of the deferred stock.

It is proposed to carry the proceeds of the sales of the Western lands to the sinking fund. This is to execute the intention of the funding act, which has not organized the mode of application; and it has the advantage of combining, in one system, all the provisions for extinguishing the debt.

It is proposed that all surpluses of revenue shall, at a certain time, be carried to the use of the sinking fund. This is to extend and give *effect* to a principle which has already received the legislative sanction. It was necessary to fix a time when the appropriation of the surplus should become absolute, and that this should be consistent with a due opportunity to provide for the exigencies of the public service. Both these considerations have been consulted. This measure has, besides, reference to a more speedy redemption of the debt, than it appears prudent to attempt by an *absolute appropriation* of more extensive funds. And the legislators of to-day would be entitled to the lasting gratitude of their country, if they would extend this auxiliary resource, by all the means which are consistent with a due regard to the present accommodation of their constituents.

It is proposed to authorize the commissioners of the sinking fund to provide, by new loans, for the reimbursement of the instalments which, from time to time, accrue. This is on the ground, that it is essential to the perfection of the system of redemption, that all the means of ultimate execution should be organized in it, and that there should be no need of future provisions.

The last clause of the proposition excepts, from the operation of that clause, the interest on the six per cent. stock. This is because that interest is destined to form the accumulations for paying the successive instalments of the principal of that stock, which increase each year in a ratio to the interest liberated by each payment.

The statement E exhibits the course of the sinking fund, as proposed to be established.

Remarks on the Sixth Proposition.

This will be a useful and important provision. It has reference to a circumstance repeatedly adverted to—the long credits given upon the principal branches of revenue; from which it happens, that, though the *fund itself*, or the *product* of the revenue, is more than adequate to an appropriation, yet the receipts upon it come too slowly into the treasury, to answer the end, without anticipation by temporary loans. Its propriety depends on the principle suggested under the last head, of having all the means of complete execution organized in the system of public credit.

Remarks on the Seventh Proposition.

It is a good rule of caution, that no more of the public revenues should be rendered permanent, than is necessary to give moral certainty to the provisions which may be regarded as the pillars of public credit. This idea will, it is believed, be satisfied, by giving permanency to the now temporary duties on imports. Accordingly, it is only proposed to extend the duties, mentioned in this proposition, to the year 1800, and thence, to the end of the next ensuing session of Congress; which is on the ground, that they ought to be commensurate in duration with the objects which they are to accomplish, and no more.

It has been already noticed, that they are at present chargeable, together with the temporary duties on imports, laid in the last session, with an appropriation of 1,292,137 dollars and thirty-eight cents, and with the interest of one million of dollars, authorized to be borrowed with a view to foreign intercourse; having a special eye to an object very interesting to the commerce and feelings of the United States.

This business wants a further arrangement; standing, at present, upon a vague and inefficient footing. The reimbursement of the loan is not adequately provided for, neither is the interest, this being predicated on funds which, in their present form, would probably expire after a product of two years.

According to the fifth proposition, the temporary duties on

imports, after the above-mentioned appropriation of 1,292,137 dollars and thirty-eight cents shall have been satisfied, will become permanently charged with the interests on the public debt, the sinking fund, and the annual reservation of six hundred thousand dollars, for the support of Government.

If the duties mentioned in the sixth proposition are continued till the first of January, 1800, and the reimbursement of the principal of the loan, as well as the interest, is referred to them, two good purposes will be answered: the obtaining the loan will be facilitated, and its complete reimbursement will be effected within the term allotted, without an augmentation of the *permanent* debt of the country. This makes allowance for fulfilling the appropriation for the current service already charged upon this fund.

It is presumed to be a conclusive reason in favor of the proposition, that it aims at preventing an increase of permanent debt. If services of this kind, when the United States are at peace (at least with civilized Powers), are made causes of permanent loans, the progress of new debt will easily exceed the extinction of old.

It appears desirable that there should be a steady effort, *as a rule of administration*, not to increase the permanent debt of the country by permanent loans, except when it is inevitable, by the existence of a war with some European Power.

The comparative view of revenue and expenditure (statement F) establishes, satisfactorily, that these duties cannot be dispensed with, unless there be a sustitute, if the redemption of the public debt is to be seriously entered upon; and it is believed that there cannot be devised objects of revenue more proper in themselves, nor more generally acceptable to the people. Whatever interested parties may allege, it seems self-evident that there can hardly be a reasonable question, except as to the best mode of collection. The objection, that part of them falls on manufactures, has no weight. The manufactures on which they fall are *complete luxuries* and *completely established;* consequently, fit objects of revenue. The increased duties on the rival foreign articles, are a full protection to the manufacture.

Whatever may be the appearances in the infancy of the tax, it is certain, in principle, that it will finally fall on the consumer, as generally as duties on imported commodities.

Remarks on the Eighth Proposition.

This is to terminate an embarrassment which has been experienced. Appropriations are frequently made for objects, the extent of which is not precisely known, or in a degree casual. To leave them indefinite, as to time, is sometimes to tie up, unnecessarily, a portion of the public funds, which may, ultimately, not be wanted at all for the purpose of the original appropriation.

It will do away this inconvenience, and promote perspicuity in the treasury accounts of appropriations, if an ultimate period is fixed when each appropriation shall be deemed to have ceased. Should further appropriations appear necessary for the same objects, new estimates can be presented, and new appropriations made.

The designating an account with a denomination known in the laws, to which the surpluses are to be carried, will facilitate future legislative dispositions of the resulting fund. It is, however, essential to the system of public credit, that this should be with the exceptions contained in the proposition.

Remarks on the Ninth Proposition.

This proposition is calculated to give simplicity to the public accounts of stock and revenue, which will conduce to correctness, dispatch, and economy. As the revenues are manifestly more than adequate to the claims of all the creditors, they, none of them, have any interest in the distinctions which now exist, and which grew out of the course of the business; and the rights of none of them will be affected, because all who choose may continue on their former ground, by signifying their dissent to the present plan. It is, however, presumed, there will be no such dissent.

Remarks on the Tenth Proposition.

It is important to the fiscal calculations, to ascertain, positively, the extent of every portion of the public debt. At present, the amount of *these* several items of it is deduced from accounts of the late war, of various officers and offices; in some instances, conducted with little order. There is not, therefore, sufficient certainty; indeed, it is probable, from the length of time that has elapsed without their appearing, that the computed amount exceeds the real.

Besides, they are, from their nature, subject to forgeries and counterfeits; which implies a danger of loss to the public, till their circulation is finally terminated. The proposition, accordingly, besides the obtaining of better information, aims at obviating this danger.

Allowing sufficient time for bringing them in to be exchanged for certificates of equivalent tenor, while it is a measure tending to public information and security, it can be liable to no reasonable objection on the part of the creditors.

The Secretary of the Treasury has reserved for the conclusion of this report, a proposition with appears to him of great importance to the public credit, and which, after some preliminary observations, will be offered to consideration. It relates to the right of taxing the public funds, and to that of sequestering them in time of war.

A proposition, on either of those points, would have been deemed superfluous, had there never been discussions asserting a right to do the one and the other, and even the expediency of exercising that right. The *negative* of both the pretensions, from the habit of regarding *it* as incapable of being disputed, had acquired, in the mind of the Secretary, so much the force of an axiom, as to have precluded even the mention of the subject in the plan which he originally submitted for funding the public debt. He should, otherwise, have thought it an indispensable duty to suggest, as a matter of primary consequence to the system of credit contemplated in the plan, the express renunciation of those pretensions; for they are (as he believes) not only

unwarranted by principle or usage, but subversive of the sound maxims of public credit. A persuasion that this would always be a *truth granted* in the councils of the United States, is his apology for the omission.

Even now he should think it useless to depart from his silence on the point, had not the discussions alluded to, created some alarm in places where all the circumstances are not well understood, which it is the interest of the country to dispel. The confidence justly to be reposed in the collective wisdom of this Government, forbids the supposition, by one acquainted with its constitution, that the security of the creditor can need, in this particular, a further sanction. It is presumed to be impossible, that any *final* act can ever give so deep a wound to the national interest and character, as to derogate from a principle which may be placed among the most sacred in the administration of a government.

Is there a right in the Government to tax its own funds?

The pretence of this right is deduced from the general right of the legislative power to make all the property of the State contributory to its exigencies.

But this right is obviously liable to be restricted by the *engagements* of the *Government;* it cannot be justly exercised in contravention of them; they must form an exception. It will not be denied, that the general right in question could, and would, be abridged, by an express promise not to tax the funds. This promise, indeed, has not been given in terms, but it has been given in substance. When an individual lends money to the State, the State stipulates to repay him the principal lent, with a certain interest, or to pay a certain interest, indefinitely, till the principal is reimbursed; or it stipulates something equivalent, in another form. In our case, the stipulation is in the second form.

To tax the funds, is manifestly either to *take*, or to *keep back*, a portion of the principal or interest *stipulated to be paid.*

To do this, on whatever pretext, is *not to do what is expressly promised;* it is not to pay that precise principal, or that precise interest, which has been engaged to be paid; it is, therefore, to violate the promise given to the lender.

But, is not the stipulation to the lender, with a tacit reservation of the general right of the Legislature to raise contributions on the property of the State?

This cannot be supposed—because it involves two contradictory things: an *obligation to do*, and a *right not to do*. An obligation to *pay a certain sum*, and a *right to retain it in the shape of a tax*. It is against the rules, both of law and reason, to admit, by *implication*, in the construction of a contract, a principle which goes in destruction of it.

The Government, by such a construction, would be made to say to the lender: "I want a sum of money, for a national purpose, which all the citizens ought to contribute proportionably, but it will be more convenient to them, and to me, to borrow the money of you. If you will lend it, I promise you faithfully, to allow you a *certain rate* of interest, while I keep the money, and to *reimburse the principal* within a determinate period, *except so much of the* one and the other, as I may think fit to *withhold, in the shape of a tax*."

Is such a construction either natural or rational? Does it not, in fact, nullify the promise by the reservation of a right not to perform it?

Is it to be presumed, without being expressed, that such can be the understanding of a lender, when he parts with his money to a Government?

The contrary is so much the more presumable, that nothing short of an express reservation can support the pretension to tax the fund.

It may be replied, that the creditor might be willing to rely upon the equity of the Government, not to abuse its right, by exacting from him excessive contributions.

This, if true, does not obviate the difficulty of supposing the coexistence of an *obligation* and a *right*, destructive the one of the other, in interpreting the sense of a contract, when nothing of the kind is said.

It is possible that a creditor might be willing so to contract; yet it is still necessary, in order to determine that he has done it, to find some provisions or expressions in the contract, indica-

ting the intention, to render what is stipulated compatible with what is reserved. But it is not probable that an individual would be willing to lend upon such terms. He would justly apprehend, that, in great emergencies, a right, having no *limit* but the *opinion* of the party possessed of the *power*, would be abused, and that the convenience of laying hold of a fund already prepared and at hand, supported by a claim of right, would be a temptation to abuse, not easy to be resisted. However well disposed to contribute, in common with his fellow-citizens, on all the ordinary objects of property or income, he would be unwilling to subject himself to a special burthen, in the peculiar character of creditor of the State. He would prefer to employ his money in other ways; even to lend it to private persons, where it might be more likely to escape the hand of the fiscal power.

Let the question be tried by another analysis.

Public debt can scarcely, in legal phrase, be defined either *property* in possession or in *action*. It is evidently not the first, till it is reduced to possession by payment. To be the second, would suppose a *legal power* to *compel* payment by *suit*. Does such a power exist? The true definition of public debt is *a property subsisting in the faith of the Government. Its essence is promise.* Its definite value depends upon the reliance that the promise will be definitely fulfilled. Can the Government rightfully tax its promise? Can it put its faith under contribution? Where or *what* is the value of the debt, if such a right exist?

Suppose the Government to contract with an individual to convey to him a hundred acres of land, upon the condition of paying a hundred dollars. When he came to pay the hundred dollars and demand his title, could the Government require of him to pay fifty more as a tax upon the land, before it would consent to give him the title? Who would not pronounce this to be a breach of contract—a fraud—which nothing could disguise?

This case is parallel with that under examination, with circumstances that fortify the right of the lending creditor.

The Government agrees with him, that, for one hundred dollars, which he delivers to the Government, it will deliver to

him, at the end of each year, six dollars. Here the six dollars *to be delivered* answer to the land *to be conveyed*, with this stronger ground of right, that the consideration for them has actually been given and received. Yet, when the creditor comes to demand his six dollars, he is told that he cannot have them, except with the reservation of one dollar as a tax upon the six, or that he cannot have them, except upon the condition of returning one dollar as that tax. What is this but to say, that his title to the money in this case, as to the land in the other, must depend upon his paying, or allowing a *further* consideration for it, not contemplated in the contract? Can there be a doubt that this, also, would be a breach of contract—a fraud?

The true rule of every case of property, founded on contract with the Government, is this: It must first be reduced into possession, and then it will become subject, in common with other similar property, to the right of the Government to raise contributions upon it. It may be said that the Government may fulfil this principal, by paying the interest with one hand, and taking back the amount of the tax with the other. But to this the answer is, that, to comply truly with the rule, the tax must be upon all the money of the community, not upon the particular portion of it which is paid to the public creditors; and it ought, besides, to be so regulated, as not to include a *lien* of the tax upon the fund. The creditor should be no otherwise acted upon, than as every other possessor of *money;* and consequently, the money he receives from the public, can then only be a fit subject of taxation, when it is entirely separated, and thrown, undistinguished, into the common mass. A different practice would amount to an evasion of the principle contended for, and to oppression. A rent, or annuity, liable before it passes, or in the act of passing, or at the moment of passing from one proprietor to another, to a deduction, or drawback, at the pleasure of the party from whom it is to pass, is an imaginary thing, destitute both of shape and substance.

When a Government enters into contract with an individual, it deposes as to the matter of the contract, its constitutional authority, and exchanges the character of legislator for that of

a moral agent, with the same rights and obligations as an individual. Its promises may be justly considered as excepted out of its *power to legislate*, unless in aid of them. It is, in theory, impossible to reconcile the two ideas of *a promise which obliges* with a *power to make a law which can vary the effect of it.* This is the great principle that governs the question, and abridges the general right of the Government to lay taxes, excepting out of it a species of property which subsists only in its promise.

There are persons who, admitting the general rule, conceive a distinction to exist between a tax upon the funds, which must be paid at all events, and a tax upon alienations of them, which will only be paid when they are transferred from one to another. The latter they think justifiable, because it is in the option of the creditor to avoid the tax, by avoiding the alienation. But the difference between the two cases is only a difference in the degree of violation.

The stock, in its creation, is made transferable. This quality constitutes a material part of its value, and the existence of it is a part of the contract with the Government, which has undertaken, itself, to conduct the operation of transferring by its own officers, and consequently at its own expense. It is as completely a breach of contract to derogate from this quality, in diminution of the value of stock, by encumbering the transfer with a charge or tax, as it is to take back, in the same shape, a portion of the principal or interest. It is obvious, too, that this may be carried so far as essentially to destroy the transferable capacity. But what is a tax upon transfers, other than the faculty of taking away from the actual proprietor of stock a portion of his principal, whenever his interests or his necessities demand a transfer, in derogation from the full enjoyment of the right to transfer, and from the express promise of the Government to pay to him or his alienee? For it is upon the seller, not upon the buyer, that such a tax will fall. And where is the substantial difference, on the ground of contract, between this and a direct tax upon the fund itself? The value of it is as certainly impaired by the one as by the other.

But shall the proprietor of money in the funds, then, be exempt from his proportion of the burthens which other citizens bear?

This will not be the consequence of the principle. As a consumer, of which his income is the instrument, he will pay his proportion of the taxes on consumption. As a holder of any other species of property procured by that income, or otherwise, which is liable to a tax, he must also contribute his proportion.

But, without undue refinement, the lender of money to the public may be affirmed to have paid his tax when he lends his money.

Relying upon the engagement of the Government, express or implied, that he will receive what is promised him, without defalcation, he is content with a less interest than he would take if subject to any such defalcation, and especially if it was to be arbitrary as to its extent. In this lower rate of interest he may be truly said to pay his tax, or to purchase an exemption from it.

Here, also, we find what is decisive on the point of expediency.

If the Government had a right to tax its funds, the exercise of that right would cost much more than it was worth. The money lender would exact exorbitant premiums, not only as an indemnification for the use which the Government might probably make of its right, and which, in practice, would be likely to be qualified by some regard to equality of contribution, but as an equivalent for insurance against the risk or possibility of a more extensive use. Hence the Government would be likely to pay much more in premiums upon its loans, than it would draw back in taxes; and the former being supposed but equal to the latter, there would be no advantage in exercising the right.

But it will be, perhaps, more safe to affirm, that there would be no borrowing at all upon such terms. The first precedent of a tax upon the funds might be expected to compel the Government to an express renunciation of the right in every future loan. Solid capitalists would not be much inclined to adventure

their money upon so precarious a footing as is implied in a power of taxing their credits.

These reflections lead readily to an estimate of the impressions which would be produced by the example of an imposition on the funds. Regarded either as a positive breach of contract, or as a deviation from the sound maxims of credit, the effect upon it would be nearly equally fatal. Whatever might be excused to a time of revolution, to a defect of means, or to some extraordinary peculiarity of situation, no excuse would be admitted for a deliberate departure from principles, at a time, too, of national prosperity, in a flourishing state of the finances, after the foundations of a regular system had been laid. The departure would argue an incorrectness, an instability, or a depravity of views, calculated to give a lasting shock to public credit.

The United States must, henceforth, tread with the most cautious steps.

A renunciation of the right, in future, might not speedily heal the wound which an example of its exercise had given. Durable suspicions might fasten on the wisdom or the integrity of the Government, which might occasion to it no inconsiderable loss and embarrassment, before a course of contrary experience would obliterate them.

The right of a Government to sequester or confiscate property, in its funds, in time of war, involves considerations analogous to those which regard the right of taxing them. Whether the foreigner be, himself, the original lender, or the proprietor of stock, in its constitution *transferable without discrimination*, he stands upon equal ground with the citizen. He has an equal claim upon the faith of the Government.

In the second case, as the substitute of the original lender, the promise made attaches immediately upon him. Indeed, the certificates which issue upon every transfer, and which may be called the public bonds, designate him as the creditor, and expressly invest him with the correspondent rights.

To sequester or confiscate the stock, is as effectually a breach of the contract to pay, as to absorb it by a tax. It is to annii-

hilate the promise, under the sanction of which the foreigner became a proprietor.

But, does not the general right of war, to seize and confiscate enemy property, extend to the property of the citizens of one nation in the funds of another—the two nations being at war with each other?

Resorting to principle as the guide, this question may, on solid grounds, be answered in the negative.

The right to seize and confiscate individual property, in national wars, excludes all those cases where the individual derives his title from the enemy sovereign or nation: for the right to property always implies the right to be protected and secured in the enjoyment of that property; and a nation, by the very act of permitting the citizen of a foreign country to acquire property within its territory, whether to lands, funds, or to any other thing, tacitly engages to give protection and security to that property, and to allow him as full enjoyment of it as any other proprietor—an engagement which no state of things between the two nations can justly or reasonably affect. Though politically right, that, in wars between nations, the property of private persons, which depend on the *laws of their own country*, or on *circumstances foreign to the nation with which their own is at war*, should be subject to seizure and confiscation by the enemy nation; yet it is both politically and morally wrong, that this should extend to property acquired under the faith of the Government, and the laws of that enemy nation.

When the Government enters into a contract with the citizen of a foreign country, it considers him *as an individual in a state of nature, and contracts with him as such.* It does not contract with him as *the member of another society.*

The contracts, therefore, with him, cannot be affected by his political relations to that society. War, whatever right it may give over his other property, can give none over that which he derives from those contracts. The character in which they are made with him, the faith pledged to him personally, virtually exempt it.

This principle, which seems critically correct, would exempt

as well the income as the capital of the property. It protects the use as effectually as the thing. What, in fact, is property, but a fiction, without the beneficial use of it? In many cases, indeed, the *income* or *annuity* is the property itself. And, though general usage may control the principle, it can only be as far as the usage clearly goes. It must not be extended by analogy.

Some of the most approved publicists, admitting the principle, qualify it with regard to the income of lands, which they say may be sequestered "to hinder the remittance of it to the enemy's country."

But the same authority affirms, that a state at war "does not so much *as touch* the sums which it owes to the enemy. *Every where*, in case of a war, funds credited to the public, are exempt from confiscation and *seizure*." These expressions clearly exclude sequestration as well as confiscation.

The former, no less than the latter, would be inconsistent with the declarations that a state at war does not *so much as touch* the sums which it owes to the enemy, and, that funds credited to the public are exempt from *seizure*. And, on full inquiry, it is believed that the suggestion, thus understood, is founded in fact.

Usage, then, however it may deviate in other particulars, in respect to public funds, concurs with principle in pronouncing, that they cannot rightfully be sequestered in time of war.

The usages of war, still savor too much of the ferocious maxims of the times, when war was the chief occupation of man. Enlightened reason would never have pronounced, that the persons or property of foreigners, found in a country at the breaking out of a war between that country and their own, were liable to any of the rigors which a state of war authorizes against the persons and goods of an enemy. It would have decreed to them, an inviolable sanctuary in the faith of those permissions and those laws, by which themselves and their property had come under the jurisdiction where they were found. It would have rejected the treachery of converting the indulgences, and even rights of a previous state of amity, into snares for innocent individuals.

Happily, however, the practice of latter times has left several of those maxims little more than points of obsolete doctrine. They still retain their rank in theory; but usage has introduced so many qualifications, as nearly to destroy their operation.

This appears from the acknowledgment of writers, from the barrenness of modern history in examples of the application of those doctrines, from the opinions known to be generally current in Europe, and from a variety of articles which are constant formulas in treaties of the present century.

The United States are every way interested in the mitigation of the rigor of the ancient maxims of war. They cannot better demonstrate their wisdom, than by their moderation in this respect. Particularly interested in maintaining, in their greatest purity and energy, the principles of credit, they cannot too strictly adhere to all the relaxations of those maxims which favor the rights of creditors. No temporary advantage can compensate for the evils of a different course of conduct.

Credit, public and private, is of the greatest consequence to every country. Of this, it might be emphatically called the invigorating principle. No well informed man can cast a retrospective eye over the progress of the United States, from their infancy to the present period, without being convinced that they owe, in a great degree, to the fostering influence of credit, their present mature growth. This credit has been of a mixed nature, mercantile and public, foreign and domestic. Credit abroad was the trunk of our mercantile credit, from which issued ramifications that nourished all the parts of domestic labor and industry. The bills of credit emitted, from time to time, by the different local governments, which passed current as money, co-operated with that resource. Their united force, quickening the energies and bringing into action the capacities for improvement of a new country, was highly instrumental in accelerating its growth.

Credit, too, animated and supported by the general zeal, had a great share in accomplishing, without such violent expedients, as, generating universal distress, would have endangered the issue, that Revolution, of which we are so justly proud, and to which we are so greatly indebted.

Credit, likewise, may, no doubt, claim a principal agency in that increase of national and individual welfare since the establishment of the present Government, which is so generally felt and acknowledged, though the true causes of it are not as generally understood. It is the constant auxiliary of almost every public operation; has been an indispensable one in those measures by which our frontiers have been defended; and it would not be difficult to demonstrate, that, in a recent and delicate instance, has materially contributed to the safety of the State.

There can be no time, no state of things, in which credit is not essential to a nation, especially as long as nations in general continue to use it as a resource in war. It is impossible for a country to contend, on equal terms, or to be secure, against the enterprises of other nations, without being able equally with them to avail itself of this important resource; and to a young country, with moderate pecuniary capital, and not a very various industry, it is still more necessary than to countries more advanced in both. A truth not less weighty for being obvious and frequently noticed.

Public credit has been well defined to be, "a faculty to borrow, at pleasure, considerable sums on moderate terms; the art of distributing, over a succession of years, the extraordinary efforts, found indispensable in one; a mean of accelerating the prompt employment of all the abilities of a nation, and even of disposing of a part of the overplus of others."

This just and ingenious definition condenses to a point the principal arguments in favor of public credit, and displays its immense importance.

Let any man consult the actual course of our pecuniary operations, and let him then say whether credit be not eminently useful. Let him imagine the expense of a single campaign in a war with a great European Power; and let him then pronounce whether credit would not be indispensable. Let him decide whether it would be practicable, at all, to raise the necessary sum by taxes within the year, and let him judge what would be the degree of distress and oppression, which the attempt would occasion to the community. He cannot but conclude, that war,

without credit, would be more than a great calamity—would be ruin.

But credit is not only one of the main pillars of the public safety; it is among the principal engines of useful enterprise and internal improvement. As a substitute for capital, it is little less useful than gold or silver, in agriculture, in commerce, in the manufacturing and mechanic arts.

The proof of this needs no labored deduction. It is matter of daily experience in the most familiar pursuits. One man wishes to take up and cultivate a piece of land; he purchases upon *credit*, and, in time, pays the purchase money out of the produce of the soil improved by his labor. Another sets up in trade; in the credit founded upon a fair character, he seeks, and often finds, the means of becoming, at length, a wealthy merchant. A third commences business as manufacturer or mechanic, with skill, but without money. It is by credit, that he is enabled to procure the tools, the materials, and even the subsistence of which he stands in need, until his industry has supplied him with capital; and, even then, he derives, from an established and increased credit, the means of extending his undertakings.

Among the circumstances which recommend credit, and indicate its importance in the whole system of internal exertion and amelioration, it is impossible to pass, unnoticed, its unquestionable tendency to moderate the rate of interest—a circumstance of infinite value in all the operations of labor and industry.

If the individual capital of this country has become more adequate to its exigencies than formerly, it is because individuals have found new resources in the public *credit*—in the funds to which that has given value and activity. Let public credit be prostrated, and the deficiency will be greater than before. Public and private credit are closely allied, if not inseparable. There is, perhaps, no example of the one being in a flourishing, where the other was in a bad state. A shock to public credit, would, therefore, not only take away the additional means which it has furnished, but, by the derangements, disorders, distrusts, and false principles, which it would engender and disseminate, would diminish the antecedent resources of private credit.

The United States possess an immense mass of improvable matter; the development of it, continually making, may be said to enlarge the field of improvement as it progresses; and, though the active capital of the country has, no doubt, considerably increased, it is probable that it does not bear, at present, a much greater proportion to the objects of employment than it has done at any former period. Credit, upon this hypothesis, of every kind, is nearly as necessary to us now, as it ever was. But, at least, it may be affirmed, with absolute certainty, that, to a country so situated, credit is peculiarly useful and important.

If the United States observe, with delicate caution, the maxims of credit, as well towards foreigners as their own citizens, in connection with the general principles of an upright, stable, and systematic administration, the strong attractions which they present to foreign capital will be likely to insure them the command of as much as they may want, in addition to their own, for every species of internal amelioration.

Can it be doubted, that they would derive from this, in a course of time, advantages incomparably greater than any, however tempting, that could partially result from a disregard of those maxims, or from the exercise of a questionable right, which should even appear to derogate from them?

Credit is an *entire* thing. Every part of it has the nicest sympathy with every other part; wound one limb, and the whole tree shrinks and decays.

The security of each creditor is inseparable from the security of all creditors. The boundary between foreigner and citizen would not be deemed a sufficient barrier against extending the precedent of an invasion of the rights of the former to the latter. The most judicious and cautious would be most apt to reason thus, and would only look for stronger shades of apparent necessity or expediency to govern the extension. And, in affairs of credit, the opinion of the judicious and cautious may be expected to prevail. Hence the Government, by sequestering the property of foreign citizens in the public funds, at the commencement of a war, would impair, at least, if not destroy, that credit which is the best resource in war.

It is in vain to attempt to disparage credit, by objecting to its abuses. What is there not liable to abuse or misuse? The precious metals, those great springs of labor and industry, are also the ministers of extravagance, luxury, and corruption. Commerce, the nurse of agriculture and manufactures, if overdriven, leads to bankruptcy and distress. A fertile soil, the principal source of human comfort, not unfrequently begets indolence and effeminacy. Even liberty itself, degenerating into licentiousness, produces a frightful complication of ills, and works its own destruction.

It is wisdom, in every case, to cherish whatever is useful, and guard against its abuse. It will be the truest policy of the United States, to give all possible energy to public credit, by a firm adherence to its strictest maxims; and yet, to avoid the ills of an excessive employment of it, by true economy and system in the public expenditures; by steadily cultivating peace; and by using sincere, efficient, and persevering endeavors to diminish present debts, prevent the accumulation of new, and secure the discharge, within a reasonable period, of such as it may be, at any time, matter of necessity to contract. It will be wise to cultivate and foster private credit, by an exemplary observance of the principles of public credit, and to guard against the misuse of the former, by a speedy and vigorous administration of justice, and by taking away every temptation to run in debt, founded in the hope of evading the just claims of creditors.

As an honorable evidence of this disposition, and with a view to quiet the alarms which have been excited, and to silence, for ever, a question which can never be agitated without serious inconvenience, the Secretary of the Treasury, in the last place, respectfully submits:

That there be an express renunciation, by law, of all pretension of right to tax the public funds, or to sequester, at any time, or on any pretext, the property which foreign citizens may hold therein.

This will be particularly essential to the success of the plan for converting the foreign into domestic debt; as the present contracts for the Amsterdam and Antwerp debt contain an

equivalent stipulation, and there is no prospect that the creditors would consent to a change, but upon the condition of a like stipulation.

In the commencement of this report, it was the intention to submit some propositions for the improvement of the several branches of the public revenue; but it is deemed advisable to reserve this part of the subject for a future communication.

All which is respectfully submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

IMPROVEMENT OF THE REVENUE.

Communicated to the House of Representatives, February 2, 1795.

TREASURY DEPARTMENT, January 31, 1795.

The Secretary of the Treasury respectfully makes the following report to the House of Representatives:

According to the present laws, imposing duties on articles imported into the United States, not much short of one-third of the whole amount of the duties is derived from articles rated *ad valorem*.

In other nations, where this branch of revenue, as with us, is of principal or very considerable consequence, and where no peculiarity of situation has tended to keep the rates of duty low, experience has led to contract more and more the number of articles rated *ad valorem*, and of course to extend the number of those rated specifically, that is, according to weight, measure, or other rule of quantity.

The reason of this is obvious. It is to guard against evasions which infallibly happen, in a greater or less degree, where duties are high. It is impossible for the merchants of any country to have manifested more probity than those of the United States, on this subject; and it is firmly believed, that there never was one in which illicit practices, to the disadvantage of the rev-

enue, have obtained so little as hitherto in this; yet, it would be a delusive expectation, that, with duties so considerable as those which now exist, a disposition will not be experienced, in some individuals who carry on our import trade, to evade the payment of them, and this to an extent sufficient to make it prudent to guard with circumspection, and by every reasonable precaution, against the success of such attempts. It is needless to repeat, that this will contribute as much to the interest of the fair trader, as to that of the revenue.

It is believed that, in our system, the method of rating *ad valorem* could, with convenience, be brought within a much narrower compass; and it is evident that, to do so, will contribute materially to the security of the revenue.

The Secretary has not hitherto had leisure to digest the details of a plan for this purpose; but, if the idea is approved, it can be carried with due accuracy into effect, at a future session, by an order upon the head of this Department to prepare, in the mean time, a tariff proportioned to the actual rates of duty.

It may also be found expedient, with a similar view, to adjust anew the proportional rates of duty, of different kinds or qualities, of certain articles. This observation is believed to apply, with particular force, to teas. It would be, in the opinion of the Secretary, advisable to throw them into three classes: to raise somewhat the lowest rate, and to diminish considerably the higher rates. A persuasion is entertained, founded partly upon observation of the course of importations, that a regulation of this kind would benefit the revenue. The same thing might be conveniently extended to some other articles.

Advantages will also accrue from a re-adjustment of the rates, in certain cases, by combining several rates on the same articles, established by different acts, into one rate, and by dismissing inconvenient fractions, which serve to perplex the calculation of the duties. Some alteration in the terms of credit for duties may, it is conceived, be made with advantage. Where four months are allowed, three and six months may be substituted; and three, six, nine, and twelve, or even three, six, nine, twelve, and fifteen, to the cases of six, nine, and twelve months.

This will apportion the course of receipts more according to the course of payments, and prevent inconvenient pressures at particular junctures.

The compensations to inspectors, especially in the ports where the expense of living is great, and to collectors and surveyors in the less productive ports, urgently demand revision, in order to an increase of them.

The security of the revenue, in every branch, turns (it will not be too strong to say) principally upon the officers of the lowest grade. Hence, it is a policy no less mistaken than common, to leave those officers without such compensations as will admit of a proper selection of character, and prevent the temptation, from indigence, to abuse the trust. It is certain that, in many places, the present allowance to inspectors, on the most liberal application of it, is inadequate to those important ends.

A similar reasoning will apply to those officers of the principal grades, who, being in districts which produce little, are ill compensated by the emoluments to which they are at present entitled. It cannot escape observation, that the safety of the revenue must depend on equal fidelity and due vigilance in all the districts; else it may become, in many cases, worth the while to resort to particular districts, because there is a deficiency of the one or the other. Besides, that it is in itself just and proper, that all who are in the public service should receive adequate rewards for their time, attention, and trouble.

The aggregate expense of collecting the duties on impost and tonnage, is at present truly moderate—a circumstance which facilitates the extension of allowances where they are necessary. The system of the revenue cutters needs revision. The utility of every institution depends on the competency of the agents who are to execute it. The present compensations to officers and men, compared with what may be obtained in other similar employment, unaided by collateral motives, creates a degree of embarrassment which very much impairs the usefulness of the thing. It would have been, in the judgment of the Secretary, a great mean of rendering it competent to its object, if, as was early suggested by him, the officers of the customs had had rank in the navy of the United States.

With regard to that branch of revenue which is constituted by the duties upon spirits distilled within the United States, and upon stills, it is believed that it would be an improvement, and one which could be now made without inconvenience, to abolish the option to pay by the gallon, of the spirits distilled, in the cases where the duties are charged on the stills. This will leave the alternative of paying by the year, or for less periods, upon licenses, at the choice of the party; an alternative which affords sufficient accommodation to the difference of circumstances. The option to pay by the gallon, of the spirits distilled, according to an account to be rendered on the oath of the party, though expedient in the first experiment of the law, is objectionable, as a permanent regulation, in a double view.

The additional discretionary latitude given to compensations to the officers concerned in the collection of those duties, is restricted to a term which will expire at the end of the next session of Congress. It will be essential to extend it, or to fix the compensations which will have been allowed. It is believed that further experience will still be useful towards a definitive legislative adjustment.

Embarrassments are experienced from the want of a concurrent authority in these officers, similar to that of the officers of the customs, to make seizures within each other's surveys or divisions. On the borders of such as are adjacent, the officers are exposed to hazard in making seizures, and better opportunities are afforded of escaping detection.

The revenue to result from the act of the last session, laying duties upon licenses to retailers of wines and distilled spirits, may be improved, favorable to proportional equality, by changing the form.

One license, for selling one or more kinds of wines, puts the greatest and the smallest dealer upon the same footing, and is so far inequitable. To class wines into a few obvious and strongly marked discriminations, and to render a license necessary for each class, with a duty upon each license, would favor a just distribution of the tax among great and small dealers, and would, at the same time, benefit the revenue. The classes may

be as follows; 1st. Madeira wine. 2d. Sherry wine. 3d. Port wine. 4th. Other wines.

To secure the effect of the discrimination in favor of small dealers, who may be in the practice of selling and sending out different kinds of wines in small quantities, it may be provided that not more than one license shall be necessary to any dealer who never sells or sends out at one time more than three gallons. And suitable penalties may be annexed to guard the condition of the exemption.

Similar observations are applicable to licenses to retailers of spirituous liquors. These may be thrown into three classes: 1st. Spirits distilled from the grape, commonly called brandy. 2d. Spirits distilled from the produce of the sugar cane, commonly called rum. 3d. Other distilled spirits: and there may be a like provision in favor of dealers who never sell or send out more than three gallons at one time.

Distillers may be put, in this respect, as to the spirits they distil, upon the same footing with importers; that is, they may be exempt from the license duty; but it would seem proper to annex these conditions to the exemption, that they shall not sell and send out a less quantity, in one cask, vessel, or package, than ten gallons; and that they shall not deal in the selling at retail of any other spirits than those they themselves distil.

Or another rule may be adopted, for proportioning the tax to the extent of the dealing; which is, to add to the present rate of the license certain supplemental rates, according to the yearly rent or yearly value, by appraisement of the house or building in which the retailers of wines or spirituous liquors shall carry on the business.

This has been found, in practice, a convenient, and, upon the whole, an equitable rule of proportion; evidently more so than one license with the same duty to all dealers indiscriminately.

It is a general and a wise national policy, to make these articles of wine and spirits as contributory to the revenue as can be made; which can only be effected by subdividing the duties upon them in the different stages of their passage to the consumer. The branch under consideration might be an important

one. As it is now regulated it is feared that it may prove of inconsiderable consequence. The confining of the licenses for selling spirituous liquors to foreign spirits, must give great facility to evasions. And it has an unequal operation upon different portions of the community.

It would promote the object of the act, which imposes duties on sales at auction, to allow two and a half per centum to each auctioneer, in lieu of the one per centum allowed by the ninth section of that act. It is believed that the present allowance is insufficient to defray the expense of clerkship incident to a compliance with the requisitions of the law, which cannot be rendered less particular or exact without prejudice to the revenue.

The tax upon snuff, according to a rate per pound, will be liable to very great evasions, without regulations for a close inspection of the course of the business. Dispensing with these, it seems advisable to modify the tax upon a different plan. The proposition to lay it upon the mortar is as good a substitute as has occurred. It appears, upon evidence which is credited, that a snuff mill usually works about one half the year; that is, one hundred and fifty-six working days in a year; and yields, per mortar, of the whole number of mortars contained in a mill, an average of forty-five pounds of snuff per day. It follows, that five hundred and sixty-one dollars and sixty-six cents per mortar, per annum, is the equivalent of the present duty of eight cents per pound. There are objections to this form of the tax; but, as it appears to be generally desired by the manufacturers, it seems advisable to forego them; especially as the present plan demands far more rigorous precautions for the effectual collection of the duty than now exist, or than would be deemed expedient.

A similar difficulty attends the tax upon refined sugar; but a proper substitute for the present plan is not perceived. It will fortify the revenue, and produce no undue inconvenience to the manufacturer, if he be required to annex a ticket or tickets to each loaf of sugar, specifying the weight in pounds; and to each cask, barrel, keg, box, or other package of refined sugar, specifying the contents and weight in pounds, corresponding certificates or tickets to accompany imported refined sugar. The kinds of

tickets to be furnished by the respective supervisors, and accounted for to them. The observance of this regulation to be secured by proper penalties.

The act which lays a duty on carriages for the conveyance of persons, exempts from the duty carriages *usually* and *chiefly* employed in husbandry, and in carrying commodities. It is a material defect in this act, as has been already experienced, that it provides no summary mode for determining what carriages are within the exempting description. Now, every disputed case must be the subject of a suit in all the legal forms; which is equally objectionable on the score of delay and expense. It is not perceived, that any insurmountable difficulty lies in the way of providing a remedy consistently with a due reference, in the last resort, to the judiciary authority.

In revenue laws, too much is as great a fault as too little simplicity. It leaves them unprovisional; incapable of execution in a manner convenient either to the public or to individuals. The acts imposing duties on licenses for selling wines and spirituous liquors at retail, and upon sales at auction, authorize allowances not exceeding two and a half per cent. for compensation to officers, and for incidental expenses. The acts laying duties upon carriages for the conveyance of persons, and upon snuff and refined sugar, make no provision for such compensations, or other expenses of collection. It is the opinion of the Secretary that the rate of two and a half per cent., in the two first mentioned acts, is inadequate—that it ought to be extended to five per cent., and that an equal provision should be made for the expense of collection, under the two last mentioned acts.

The restrictions upon officers of the customs, and upon the supervisors and other officers of inspection, with regard to the public funds, appear to the Secretary unnecessary and inconvenient: unnecessary, because those officers, having no concern whatever with any branch of public business that respects the management of the funds, can have no official influence upon the policy or execution of the measures which regard them, further than by a punctual collection of the revenues; inconvenient, because it deprives them of a mean of investing any little sums

they may save or acquire, in a mode very convenient to men who, from situation, are less liable to avail themselves of other opportunities. If the being stockholders can have any influence upon them as officers, it must be of a kind favorable to the public service, by increasing their personal interest in the exact collection of the revenue. If the idea which dictated the restrictions was, that they might use the public money in speculations in stock, the answer is, that this is not in their power, from the rapidity with which it is transferred to the treasury; and if it were practicable for them to divert the public money, and a disposition to do it should, in any case, exist, it might operate through other channels. In lieu of the restrictions concerning the funds, the employment of public money for private purposes, may, if thought necessary, be still further guarded against by penalties. Those restrictions in reference to the immediate officers of the Treasury Department, and the Commissioners of Loans, are entirely proper, and ought to be maintained; but it is believed, that it is not only useless, but injurious, to give them greater extension. The multiplication of restrictions on the public officers will render greater compensations necessary, and be a source of expense to the public.

All which is respectfully submitted,

ALEXANDER HAMILTON,
Secretary of the Treasury.

NOTE. Since the conclusion of this report, the Secretary has learnt that a bill (the progress of which his peculiar situation had prevented his observing) has actually passed the two Houses, for changing the terms of six, nine, and twelve months, into eight, ten, and twelve. This bill, besides interfering disadvantageously with arrangements of the treasury, founded upon the existing provisions of the laws, will, it is apprehended, tend to increase an inconvenience which the above suggestions were meant to lessen—the too great concentration of mercantile payments. Any accidental derangement of the mercantile body, from overtrading, or other cause, would, in this situation, endanger consequences to the treasury, which it might be difficult to meet by other expedients; whereas, a subdivision into shorter and more numerous periods, by diminishing the effect, would admit, in such cases, of an easy substitute. The merchants themselves are particularly interested in this question; for the re-action upon them, of any embarrassment of the treasury, might render that a general and lasting mischief, which might otherwise have been only a partial and transient disorder.

CIRCULAR.

TREASURY DEPARTMENT, September 22d, 1789.

SIR:

In consequence of arrangements lately taken with the Bank of North America, and the Bank of New-York, for the accommodation of the Government, I am to inform you, that it is my desire that the notes of those banks, payable either on demand or at no longer period than thirty days after their respective dates, should be received in payment of the duties as equivalent to gold and silver, and that they will be received from you as such by the Treasurer of the United States.

This measure, besides the immediate accommodation to which it has reference, will facilitate remittances from the several States without drawing away their specie; an advantage in every view important.

I shall cause you shortly to be furnished with such indications of the genuine notes, as will serve to guard you against counterfeits, and shall direct the manner of remitting them. In the mean time, and until further orders, you will please to receive them, transmitting to me a weekly account of your receipts and payments.

The Treasurer of the United States will probably have occasion to draw upon you for part of the compensation for Members of Congress from your State. These drafts you will also receive, in payment of the duties, or in exchange for any specie arising from them which shall have come to your hands.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON,
Secretary of the Treasury.

Otho H. Williams, Esq.
Collector of the Customs,
for Baltimore, Maryland.

TREASURY DEPARTMENT, New-York, Oct. 2d, 1789.

SIR:

As in the first establishment of revenue systems imperfections and inconveniences will naturally present themselves in practice which could not have been foreseen in their formation; it is of the greatest moment that the best information should be collected for the use of the Government, as to the operation of those which may have been adopted.

To the obtaining of this information, as it respects the plan for the imposition and collection of the duties, the situation of the Collectors and Naval Officers of the several ports is in a peculiar manner favorable, and no arguments need be used to show that it is equally their duty and their interest to make the best use of their opportunities for that purpose.

Not doubting that their inclination will coincide with both, I am to request that they will carefully note, and from time to time communicate to me, whatever may serve to discover the merits or defects of that plan, and to point out the means of improving it.

The complaints of the merchants will not always be infallible indications of defects, yet they will always merit attention, and when they occur I shall be glad to be informed of them. You will, doubtless, have observed that it has been in the contemplation of Congress to employ boats for the security of the revenue against contraband. I shall be glad to have your ideas as to the expediency of employing them in your quarter, and (if any appear to you necessary) of the number and kind you deem requisite; their equipment, and the probable expense. Should any have been in use under the State regulations, I desire they may be continued, and that I may be advised with accuracy of the nature of their establishment.

It has been very much apprehended that the number in several of the States would conduce to great evasions of the duties. It is my wish to be informed how far experience has justified the apprehension; and what can be done to correct the mischiefs which may have ensued, avoiding as much as possible

the inconvenience which the multiplication of ports was designed to obviate.

In limiting these particulars it is not my aim to confine your attention to them only; it will give me pleasure to find that your observations have been as diffusive as the object is extensive.

The whole of the forms for keeping and rendering your accounts not being yet completed, it is not in my power to furnish you with them at present; I, however, transmit you the most material form, which is a quarterly abstract of duties arising on merchandise imported.

The same form with an alteration as to time will answer for a return of duties arising monthly, and which you will forward to this office at the end of every month.

In mine of the 22d of September, I directed you to render me a weekly account of your receipts and payments. I now inclose you a form for rendering this account, which, I trust, will be punctually complied with.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON,
Secretary of the Treasury.

Otho H. Williams, Esq.,
Baltimore.

P. S.—In addition to the papers mentioned in this letter, you will find inclosed a quarterly abstract of duties arising on the tonnage of vessels. A similar return you will be pleased to transmit monthly.

TREASURY DEPARTMENT, October 10, 1789.

SIR:

I observe that, by the 24th section of the act for registering and clearing vessels, &c., it is provided that vessels bound to foreign ports should deliver manifests of their cargoes to the collectors of the ports from which they are to sail.

The object of this provision doubtless was to obtain a knowledge of the exports of the country, to carry which into effect, I

am to desire that a regular account may be kept of the articles exported, and quarter-yearly returns be made to this office.

To render these returns uniform, I shall shortly transmit a model. The first I shall expect to receive will be to be made up to the last of December, which I shall be glad to have as speedily as possible—after that time, to be ready for the inspection of Congress when they meet.

Inclosed you will receive an act for suspending part of the act for regulating the collection of the duties, tonnage, &c., &c.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON.

TREASURY DEPARTMENT, October 14, 1789.

SIR:

Inclosed I send you, agreeable to an intimation in a former letter, the signatures of the president and cashier of the banks of North America and New-York, together with a general description of those notes, which will enable you to guard against impositions and counterfeits.

When the notes are payable to any particular person, and not to bearer, you will take care that there is an indorsement of that person, and if you should not know his handwriting, you will require an indorsement by the person who presents the note in payment.

The mode in which the bank notes are to be transmitted is this: each note is to be divided into two equal parts, from top to bottom—one part containing the name of the president and sum; the other, the name of the cashier and sum. Your own name, in your own handwriting, is to be written on the back of each half, together with the number and sum of the note. In case of the notes payable to particular persons, and not to bearer, you will previously fill up the indorsement to Samuel Meredith, Treasurer. Having used these precautions, you will remit all the notes in hand weekly, by the post, to Samuel Meredith; that is to say, one-half of each note by one post, and the other half by

the next, accompanied in both cases with a list of the notes, which list shall specify of what bank they are, the number, the dates, the sums, and periods of payment; that is, whether on demand, or so much after date.

For your own security, in case of accident, you will take a receipt from the postmaster, on a copy of the list which you retain, and which will be your voucher, purporting the delivery of a letter addressed to Samuel Meredith, containing the moieties of the notes specified in the list, amounting to such a sum, which sum must be written at large.

Should any postmaster refuse such a receipt (which, however, I do not expect will happen), till the matter can be otherwise regulated, you will get one of your clerks, or some other indifferent person of fair reputation, to witness the delivery of your letter, with the notes, to the post-office, which person must be acquainted with the contents, and the particulars, so as to be able afterwards to verify on oath, that such specific notes were sent; and, instead of the receipt of the postmaster, must give a certificate, on the copy of the list you retain, of like import of the receipt proposed to be given by the postmaster.

In mine of the 22d of September, I directed you to receive, in payment of the duties, the notes of the banks of North America and New-York. I now add, that you are to exchange any specie, which may at any time be in your hands, for them, with this restriction, that you shall not exchange any of the specie which, in your weekly return of receipts and payments, you state to be in hand, but only the specie you may receive between one return and another. The reason for this restriction will better explain to you my meaning. I propose that the treasurer shall draw orders on you, from time to time, for the specie, which you shall return as remaining in your hands. Of course, it is necessary, to prevent disappointment to the holders of the orders, that you should retain that sum in specie, to answer them, as bank notes might not, in every case, be equally suitable. But the sums you receive in specie, between one return and another, may be safely exchanged for bank notes, as the balance only will appear in your returns, and will be drawn for.

The bank notes specified in your weekly returns must be forwarded weekly by the same post which brings the return, without waiting any special order, directed to the Treasurer of the United States; and this package, so directed, must be inclosed in another, addressed to me as Secretary of the Treasury. Besides the descriptive return, which you are to transmit to the Treasurer, you will at the same time inclose a copy of it directed to myself.

I am, Sir, your obedient servant,
ALEXANDER HAMILTON,
Secretary of the Treasury.

Otho H. Williams, Esq.

TREASURY DEPARTMENT, Oct. 20, 1789.

SIR:

As some difficulty may be experienced in furnishing the weekly returns as far as it respects the bonded duties with precision, I think it necessary to say, by way of explanation, that I only expect accuracy in what relates to cash, and that in regard to the bonded duties, I shall be content with estimated sums, merely to convey a general idea of the product of the duties. You must, however, understand that it is my intention, even in cases where no cash has been received or bonds taken, a weekly return should be transmitted, specifying the above circumstances.

There are three other points before I conclude to which I must turn your attention. The first respects the forms of manifests. From some which have been lately produced at this office, I observe that, for want of attention in filling them up, it would be no difficult matter for the master of a vessel to insert articles not known to the Collector of the port where she cleared after the manifest was sworn to before him. In order to guard against such attempts, you will be pleased to attend to the following points in filling up these manifests.

1st. The quantities of the articles included in the manifest must be expressed in letters, not in figures.

2d. Each article composing the same must be classed and numbered distinctly; that is to say, supposing the articles were ten hogsheads of tobacco, twenty barrels of flour, and six tierces of rice—they must be so expressed:

No. 1.—Ten hhds. tobacco.
" 2.—Twenty bbls. flour.
" 3.—Six tierces rice.

And for the greater security, you must, in the certificate annexed to the manifest, specify, in letters, the number of articles contained therein, which, in the instance above stated, would be three articles.

The second relates to the duties on tonnage. A doubt has been expressed by some Collectors whether vessels are liable to pay tonnage at each entry. On this point the opinion of counsel has been taken, in conformity to which, it is my duty to inform you that the tonnage duty must be paid in all cases where it is necessary for a vessel to make an entry, unless such cases are otherwise specially provided for by law.

The third is, whether duties on articles of the manufacture of America, exported to foreign parts for the purpose of sale and again imported for want of a market, or any other cause, are liable to the same duties as foreign goods of the same kind. Notwithstanding this case has not probably been in the contemplation of Congress, and may bear hard in some instances on individuals, the Act does not admit of an exemption of the duties, and of course, till legislative relief can be obtained, the officers of the customs must govern themselves accordingly.

I am, Sir, &c.,

A. Hamilton.

Treasury Department, Nov. 30, 1789.

Sir:

Having been applied to by the Collectors of several ports for my opinion on various points which are of general concern, and

in respect to which it is important that the same rules should be everywhere observed, I have concluded to make my answers to their inquiries the subject of a circular letter.

Some of those inquiries relate to the allowance to which the officers of the customs are entitled for services performed in pursuance of the twenty-second, twenty-fifth, twenty-sixth, twenty-seventh, and twenty-eighth sections of the Act for registering and clearing vessels.

As the proper construction of these clauses is of importance to the interest and safety of the officers, that consideration was an additional motive for care in the investigation, and thinking it expedient in a case of mere construction to assist my own judgment by the advice of professional men, I stated the question which had been submitted to me to two gentlemen of the law in this city, eminent for their ability, and I herewith transmit a copy of the opinion they have given.

The truth of that opinion, as it respects the four last of the enumerated sections, must depend on the meaning of that clause of the thirty-first section of the same Act, which allows for every *entry* of *inward* cargo directed to be made in conformity to that act, *and* for receiving of, and qualifying to, every manifest of vessels licensed to trade as aforesaid, sixty cents. The entry of an *inward* cargo, and the *receiving* and qualifying to manifests, being coupled together by the word "*and*," appear to be *parts* of one service, for which sixty cents are allowed: of course where there is no entry of *inward* cargo, one *part* of the service is wanting, and therefore the allowance cannot apply.

Viewing that point in this light, it is only necessary for me to add that my own judgment, upon full reflection, corresponds in every particular with the opinion given to me, though I perceive that the consequence will be in some instances an unequal apportionment of reward to service.

But it appears to me an important principle of public policy that allowances to officers should not be extended by implication or inference, as discretion on that head must, from the nature of the thing, be liable to great abuses.

As far as the construction now given may tend to a disparity

between the service and the compensation, I shall esteem it my duty at a proper moment to propose to the legislature an alteration in the provisions. In the mean time, that consequence must of necessity be disregarded.

I am, &c.

TREASURY DEPARTMENT, 18th December, 1789.

SIR:

As one of the periods for the payment of bonds taken for duties is arrived, it is proper that the respective Collectors should be apprised of my expectation with regard to the conduct to be observed by them. It is, that if the bonds are not paid as *they fall due*, they be immediately put in suit. On this point, the most *exact punctuality* will be considered as indispensable. And accordingly it will be expected, that every bond which shall appear in a monthly return after the period at which it was payable, be accompanied with a note at foot of the return, signifying that *it is in suit*, and expressing the *time* of the commencement of the suit. I am not unaware, that the relaxations in this respect, which obtained in many instances under the State laws, may give an air of rigor to this instruction; but I consider its *strict observance as essential* not only to the order of the finances, but even to the propriety of the indulgence which the law allows of procrastinated terms of payment of the duties—and hence I regard this strictness as eventually most convenient to individuals, as well as necessary to the public.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

TREASURY DEPARTMENT, December 28, 1789.

SIR:

My opinion having been several times asked on the following points, I think it proper, in order to produce uniformity of practice, to convey it in a circular instruction.

First, whether the tonnage of foreign vessels ought to be taken from their registers, or ascertained by admeasurement, according to the principles of the third section of the act for registering.

I am of opinion that the latter ought to be the case, not only because it is agreeable to the letter of that section, but because it cannot be presumed that the Legislature intend to favor foreign vessels in this respect, which would be the case if the tonnage expressed in their registers should govern, as the mode of admeasurement prescribed by our laws makes the tonnage greater than that which prevails in other countries.

Secondly, whether a vessel *not licensed as a coaster or for the fishing trade*, going from one district to another, shall enter and pay tonnage at the last, and at what rate. I am of opinion, that there must be an entry in each district—and that the *entry* will draw with it the payment of tonnage in each. But the rate will depend on the circumstances. If there be nothing to constitute *a trading between the districts*, within the meaning of the last clause of the 23d section of the Coasting Act, the rate of tonnage in each district will be the same, and will be determined by the particular description of the Tonnage Act, under which the vessel may fall.

But if there be such a trading between the districts, the rate of tonnage will be fifty cents.

The question then is, What is to be deemed a trading between the districts? Without attempting a precise definition of the thing, I will state as a guide some cases which, in my opinion, are or are not so.

First, if a vessel arriving from abroad at one district with a cargo, proceeds with the whole or a part of that *identical cargo to any other district*, I do not conceive this to be a trading between the districts.

Secondly, if a vessel bound to a foreign port takes in a part of her outward cargo at one district, and proceeds to another to take in a part of her outward cargo, this also, in my opinion, is not a trading between the districts.

But, thirdly, if in any case a vessel not licensed aforesaid, take in a *freight* at one district to be delivered at another, this is to be deemed a trading between the districts, and subjects her to the rate of foreign tonnage.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON.

TREASURY DEPARTMENT, March 30, 1790.

SIR:

Having observed that the several Collectors have hitherto differed in the mode of transmitting to this office the drafts of the Treasurer of the United States, which have been drawn on them and paid; I now desire that those drafts, with a receipt endorsed on them, may be transmitted as soon as they are paid *to my office*, when they shall be covered by a regular warrant, and your account credited at the Treasury.

In addition to the receipt on the bill, you may, for your own security, take a separate receipt from the holder, which you will retain; and as a further precaution, it may be well, when you forward those drafts, to do it under the eye of some disinterested person, who, in case they should miscarry, can give evidence of their having been sent on.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON.

TREASURY DEPARTMENT, May 17, 1790.

SIR:

It appears probable that the public interests would be promoted by my receiving the earliest information, when breaches of the Revenue Laws take place. I therefore request that whenever a seizure shall be made within the sphere of your duty, you will transmit me, by the first opportunity, an account of the

transaction, containing such particulars as will enable me fully to understand the case.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON.

Addressed

Sharp Delany, Esq.,

Collector, &c., Philadelphia.

[PRIVATE.]

PHILADELPHIA, April 23, 1791.

DEAR SIR:

Your letters of the 7th of December and 19th of January have come duly to hand.

What you mention concerning manifests and certificates of drawback certainly merits consideration. When the collection law originated, Consuls were not yet appointed. You will oblige me by freely intimating whatever occurs to you, for the benefit of our trade and revenue law; whether arising from your observations on the practice of other countries, or from your own reflections.

I am, Sir, &c.,

ALEXANDER HAMILTON,

Secretary of the Treasury.

TREASURY DEPARTMENT, May 12th, 1791.

SIR:

I am instructed by the Secretary of the Treasury to transmit you the inclosed form of a return of outward tonnage, which he desires to have made up at each Custom House in the United States, for the year preceding the first day of the last month, that is, from the first of April, 1790, to the thirty-first of March, 1791, inclusively of both days. The documents already furnished by the Collectors have enabled the clerks to make out with accuracy a similar return of the inward tonnage, but it is found

necessary also to be minutely informed of the destination of the vessels which load in our ports.

You will perceive that the column on the left hand contains the names or descriptions of places which it is deemed necessary to attend to. It is not thought material, for example, to show in this document the vessels which have arrived from Amsterdam, separately from those from Rotterdam. The head of the "United Nertherlands" comprises both. Against each country, island, &c., in that left hand column, is to be placed the tonnage of each nation, American or foreign, which has been cleared out therefor; for which a separate column is provided in the form. At the end of the line, the sum total of the tonnage from the island, place, or kingdom, under the several flags is to be inserted.

The identical paper now transmitted is to be returned completed, as it is wished that the kind of information it will contain will be concentred, and you will perceive that accident might subject it to purposes unfavorable to the interests of the United States. You will be pleased carefully to preserve the rough preparatory papers till you are informed of the receipt of the completed return by the Secretary of the Treasury, when those rough drafts are to be destroyed.

I am, Sir, very respectfully,
Your most obedient servant,
TENCH COXE,
Assistant Secretary.

To Otho H. Williams,
Collector of Baltimore.

TREASURY DEPARTMENT, May 18, 1791.

SIR:

I find instances that have occurred in some of the Custom Houses of receiving the duties on goods by estimates formed upon the invoices, or the statement of the masters and owners of vessels; and by other means than actual gauging, weighing, measuring, &c. This, it is manifest, is not conformable to law, and may lead to practices very injurious to the Revenue.

Neither is it necessary to the accommodation of the merchant, who by the last Collection Act is at liberty to carry his goods from one district to another, paying the duties in the districts for which they are destined upon the goods only that are landed in each. I have, therefore, to desire that the duties on goods may in no instance be ascertained, but on the actual landing thereof, and by no means but by the measuring, weighing, gauging, in all cases wherein those operations are required by law. If vessels bound to other places put into your district, the mere securing thereof the duties to be paid in the district for which the goods are destined, is to be done by estimation in the manner prescribed by law, but no estimation is to be accepted when the duties are to be paid to you.

A question has also been stated for my determination, whether the inspector put on board a vessel in one district to go to another, is to superintend the landing of the goods in the last district. I am of opinion that he is not, and that his authority on board the vessel terminates the moment she reports herself in the last district.

I am, Sir, &c.,

ALEXANDER HAMILTON.

TREASURY DEPARTMENT, July 8, 1791.

SIR:

I have already written to you in regard to the disbursements of the Revenue Cutter on your station, except the pay of the officers and men, and have now to request that you will duly attend to that business also, so as to have in your hands the entire agency. A form will be transmitted to you, in which you will make your quarterly returns at the same periods, though distinctly, as in the Custom House Departments. And in the mean time, as some arrears of pay are due you, you will discharge the demands of the officers from the dates of their commissions, and of the seamen, from the time when they were shipped, taking sufficient vouchers for your payments.

I am, Sir, etc.,

A. HAMILTON.

TREASURY DEPARTMENT, Aug. 5, 1791.

SIR:

It has been stated to me, that in some districts a practice has obtained of measuring vessels of the United States previously measured, and of charging for such admeasurement. This, though perhaps within the letter of the law, does not appear to be within what may be reasonably supposed to be its true intent, and is of a complexion to excite dissatisfaction. It is with difficulty presumable, that the Legislature could have intended to withhold credit from the acts and certificates of its own officers, so as to render an admeasurement in each district into which a vessel might happen to come necessary, and to subject the merchant to repetition of the expense incident to that idea. The case of foreign vessels is different, because the documents they can produce are the acts of officers of another government. This practice, therefore, wherever it may have obtained, is to be forborne, though, if any reasons shall be offered in support of it, they shall be duly considered.

It will be satisfactory to receive a copy of the table of fees, at each Custom House, which is directed to be set up by the 54th section of the Collection Law. Uniformity in practice as to the article of fees is particularly desirable. The want of it has already been a source of complaint, and is of a nature to produce both discontent and censure.

I am, Sir,

A. HAMILTON.

TREASURY DEPARTMENT, September 21, 1791.

SIR:

It being necessary to ascertain correctly the state of the public moneys in the several Custom Houses, I inclose you a form of a return of bonds which may not be paid with punctuality, which it is my desire that you regularly transmit at foot of every monthly return of bonds, though there should be none unpaid, noting in the proper column that the fact is so.

Those parts which are printed in italic characters are pro-

posed to be varied as the dates, parties, names, sums, &c., shall, in the future course of business, require. In order to show the state of things at the time of commencing the transmission of these returns, it will be proper, that the first monthly schedule of bonds, which you shall send forward, after the receipt of this letter, shall be accompanied with a general return of bonds unpaid (if any such there be), from the opening of the Custom House, in your district, to the time of making up the return.

It will be proper, in future, that all draughts of the Treasurer upon you have a hole cut or punched through his signature, about one-half of an inch in diameter, prior to your transmitting them to this office.

The following regulation is proposed hereafter, with respect to cancelled certificates of registry and enrolment. When a master or owner of a vessel, or any person in their behalf shall deliver a certificate of registry or enrolment to any Collector from whose district the same shall not have been issued, the said certificate of enrolment is, before filing, to be punched or cut through, in the place of the signature of the Secretary of the Treasury or Collector, with a hole of not less than half an inch diameter. After which, the said certificate is to be transmitted by the first post to this office, where the margin containing the subscription and seal of the Custom House officers will be cut off and transmitted with the requisite memorandums for cancelling the bond, and may be filed in your office.

In regard to the admeasurement of vessels, I think it necessary to give the following instructions:

1st. All foreign vessels are to be admeasured whenever they shall arrive in your district, under circumstances which occasion the tonnage duty to accrue upon them; and 2d, all vessels of the United States are to be admeasured anew upon every change of property, or upon their introduction as vessels belonging to your district from some other district, in which they were before owned; or in other words, whenever it is necessary to grant a new register.

I am, Sir, your obedient servant,

ALEXANDER HAMILTON,

Secretary of the Treasury.

P. S. It is much wished that the returns of duties on tonnage, and goods imported for the quarter ending the last of September, may be forwarded with all possible *dispatch*, in order to prepare for Congress, early in the session, a general return of the year preceding.

TREASURY DEPARTMENT, February 2, 1792.

SIR:

In a former letter you were constituted the agent for the cutter destined for the station of New-York. I have now to inform you that authority of directing its movements is henceforward committed to you, subject to the instructions which shall be transmitted from this Department.

I shall communicate this arrangement to the captain of the cutter on the New-York station.

I am, Sir, &c.,

ALEXANDER HAMILTON.

TREASURY DEPARTMENT, February 6, 1792.

SIR:

It is my wish that you transmit to this office a return of the public property, exclusive of cash and bonds, in the hands of all the officers of the customs in your district; that is to say, the scales, weights, boats, &c., which may be in the hands or charge of any officer of the customs, from the collector to the inspector or inspectors. This return it will be fit that you also transmit with your quarterly accounts, on the 31st of December next, and so for each succeeding year.

Should the register of the brig Lydia, of Washington, North Carolina, appear at your office, it is to be detained, proof being before me that the brig has been sold. The certificate is No. 4, of 22d April, 1790, James Rhodes, owner and master, and states the vessel to be of 98½ tons, square-sterned, and without a head. The brig being now in the port of Philadelphia, this instruction

is not extended to the vessel, but is confined to the certificate of registry.

It is my desire, whenever any person's bond for duties shall be put in suit by you, that you will transmit information to the collectors of the several ports within the State in which you reside, in order that further credit may be refused, according to law, during the default; and should it be common for the importers in your district to use other adjacent ports, or should you know that such defaulter uses any such ports to make his importations, you will give notice in such places also. When the bonds shall be discharged, information thereof should be given at such of the custom-houses as may have been notified of the default.

Ample time having been given to the commanders of vessels trading to foreign ports, it is my desire that the 9th section of the collection law may hereafter be enforced.

I am, Sir,
Your most obedient servant,
A. HAMILTON.

Otho H. Williams, Esq.

TREASURY DEPARTMENT, February 21, 1792.

SIR:

In pursuance of arrangements with the Bank of the United States, I have to desire that after the expiration of a month from the time of the receipt of this letter, you will discontinue the execution of my former instructions concerning the receipt and exchange for specie, of the cash notes and post notes of the banks of North America and New-York.

The regularity of the service requires that none of the officers of the cutters should be absent from them at any time without a written leave of furlough, which you will take an opportunity to communicate to them. The propriety or necessity of these absences you will judge of.

It is wished by the treasurer that the drafts paid at the

custom-houses may be transmitted, as soon as possible after their discharge, to the treasury.

It will be best, therefore, that the drafts mentioned in your weekly returns of cash paid and received, should always be inclosed in them.

I am, Sir, &c.,

A. HAMILTON,
Secretary of the Treasury.

TREASURY DEPARTMENT, May 10, 1792.

SIR:

It is my wish that, in your official correspondence with the Secretary of the Treasury, you will henceforth make it a rule to designate your office, and the place where it is kept, upon the outside of your letters.

When weekly returns are transmitted which require no particular remark, it will be agreeable to me, and save trouble to you, if they be simply put under blank covers and directed in the form of a letter.

I inclose you a form of an account of bonds remaining uncancelled, taken in your district, for the securing the bonding of duties, in some other district, upon goods reported at your office, to be intended to be landed in some other district. This return you will make, in the first instance, on the receipt of the form, and afterwards, with your quarterly accounts, from time to time.

It is my desire that application be made by letter to the obligors who may reside in your district, in all cases wherein bonds heretofore executed now remain uncancelled, if dated three months since; and that all such as now are, or shall be uncancelled, at the end of four months from their date, be put in suit.

I am, Sir,

A. HAMILTON.

TREASURY DEPARTMENT, June 8, 1792.

SIR:

The 66th, 67th, and 68th sections of the Collection Law make provisions respecting the prosecution, receipt, appropriation, and distribution of and for fines, penalties, and forfeitures, under that act. The provision is less precise and clear than could be wished, and may require Legislative revision. In the mean time, it is indispensable that some arrangement should be made and observed, consulting such indications as are to be found in the law, and pursuing the most convenient and orderly course.

The 66th section appears to contemplate the Collector as the person who is to direct in the first instance, prosecutions for fines, penalties, and forfeitures, and who is to receive, distribute, and pay their proceeds. This seems to be a leading idea, and one which will most conveniently guide the arrangement.

As an incident of the duty of prosecuting, the paying of all expenses incurred will belong to the Collectors; these expenses, being truly charges on the collection of the revenue, will be properly paid out of the product of the duties, when they cannot be defrayed by the issue of the prosecutions.

As the Collector is to cause suits to be instituted, and from official situation must know the circumstances of each case, he can also best adjust the expenses—the taxation of the proper officers of Courts will guide as to the ordinary Court charges. A separate account must be stated of the charges attending each suit, and of the proceeds, that is, the value recovered, if any, and of the distribution. A form will be transmitted by the Comptroller.

The proceeds of forfeited vessels and goods, and the sums recovered as for pecuniary fines and penalties, will naturally come in the first instance into the hands of the Marshals. These they will pay over to the respective Collectors, who will pay the charges and distribute the net remainder.

When judgment is rendered against the public, or when, though in favor of the public, and nothing is or can be recovered, the plaintiff's costs and charges must be defrayed by the Collector out of the product of the duties.

When judgment is rendered in favor of the public, and something is both recovered and received, it is to be applied in the first instance towards the payment of expenses. If not sufficient, the moiety of the net surplus is to be accounted for to the public by the Collector, as a specific fund, subject to special appropriation, and the other moiety is to be distributed among the parties entitled, as the law directs.

The same arrangement is to be observed with regard to penalties and forfeitures under the Registering and Coasting Act.

I am, with much consideration,
Sir, your most obedient servant,
ALEXANDER HAMILTON.

TREASURY DEPARTMENT, July 20th, 1792.

SIR:

It is with great satisfaction I have it in my power to acknowledge the zeal and good disposition, with which the officers of the customs generally have executed the instructions which have from time to time proceeded from the Treasury Department. I am happy to be able to say, that the instances of exception are few, and I ascribe such as have happened, rather to an inaccurate view of the subject, than to improper intention.

But as a few instances exist of deliberate deviations from instructions, and as explanations in one or two cases disclose opinions which in practice would be subversive of uniformity in the execution of the laws, it becomes advisable to state the ideas which are entertained at the Treasury respecting the nature of the power of the head of the Department, "to superintend the collection of the revenue," and the obligation incident to it on the part of the officers immediately charged with that collection.

This will be done, to obviate, as far as possible, misconceptions, which may not only disturb the course of public business, but may lead to disagreeable discussions, and even perhaps to painful altercations.

It is my earnest wish to cultivate harmonious and cordial co-operation; and it is essential to this, that correct opinions should be mutually entertained. If those I shall express are liable to objections, I shall be glad they may be freely made, and I promise maturely and candidly to consider the force of them.

The Act constituting the Treasury Department, expressly makes it the duty of the head of the Department, "to superintend the collection of the revenue."

The power of *superintending* the collection of the revenue, as incident to the duty of doing it, comprises, in my opinion, among a variety of particulars not necessary to be specified, the right of *settling*, for the government of the officers employed in the collection of the several branches of the revenue, the *construction* of the laws relating to the revenue, in all cases of doubt.

This right is fairly implied in the force of the terms "to superintend," and is essential to uniformity and system in the execution of the laws.

It is evident that, without it, the most incongruous practices upon the same laws might obtain in different districts of the United States, according to the different portions of intelligence and attention of different officers, and according to the different mediums through which objects are often seen, even with equal degrees of intelligence and attention.

Merchants might have to pay higher duties at one port than at another, upon the same articles; higher fees at one port than another for the same services; and might otherwise be subjected to very dissimilar burthens and requisitions. Such a state of things would undoubtedly be a state of disorder, inconsistent with every idea of a well-regulated government, and would have a natural tendency to produce discontent and disgust among individuals, and to bring upon the laws contempt and odium.

It is true that a remedy, in a large proportion of the cases, might be obtained from the courts of justice; but the vexatious course of tedious lawsuits to decide whether the practice of one officer or of another was the most legal, would be a mode of redress very unsatisfactory to suffering parties, and very ill suited, as an ordinary expedient, to the exigencies and convenience of trade.

A reference has been made to the oath of office, prescribed by the first collection law for the officers of the customs.

They are by that law severally required to swear or affirm, that they will execute and perform all the duties of their respective offices *according to law;* whence it seems to have been inferred, that they are bound each to pursue *his own opinion of the meaning of the law.*

But it is conceived that an officer of the customs executes his duty according to law, when, in the cases mentioned, he conforms his conduct to the construction which is given to the law by that officer, who, by law, is constituted the general superintendent of the collection of the revenue. The power to superintend must imply a right to judge and direct; of course an obligation to observe the directions which are given, on the part of those to whom they are addressed. The observance of them, therefore, cannot be contrary to the engagement of an officer to execute the duties of his office according to law; because, as a general principle, it is a part of his duty, enjoined by the law, to pursue those directions, and because, of course, the responsibility for a wrong construction rests with the head of the department, when it proceeds from him.

It is not possible to conceive how an officer can *superintend* the execution of a law for the collection of a tax or duty, or for any other purpose, unless he is competent to the interpretation of the law, or, in other words, has a right to judge of its meaning. If, then, that competency and right are attached to the head of the Treasury Department, as general superintendent of the collection of the revenue, it must follow that his judgments are directory to those who are merely superintendents within *particular spheres*, as the collectors of the customs within their respective districts. For it is an universal principle of jurisprudence, and a clear dictate of reason, that authorities within *particular spheres* are subordinate to a general authority relating to the same subject, and pervading *the whole of them.*

I am aware of the reasonable limitations to which the general principle is subject; as restrictions in the nature of things upon abuses of authority, applying as well to the operation of laws as

of instructions relating to their execution. But the admission of exceptions in extraordinary cases, does not militate against the general rule.

With regard to the oath* which is prescribed to the officers of the customs, it is to be observed that it is equally prescribed to all of them, from the collector down to the inspector of the customs. It is easy to discern the confusion which would result from the principle that each of these officers is bound, by his oath, to pursue his own construction of the law, though contrary to that of his official superior.

Two instances shall be mentioned for the sake of illustration, in which the binding force of instructions from this department has been either questioned, or in practice denied.

One relates to the duty on spikes. The acts of the first and second session, which impose duties on imported articles, lay a duty of one per cent. per pound on "nails and *spikes*," expressly naming each, and thereby implying that the one was not included in the other. In the act of the last session for raising a further sum of money for the protection of the frontiers, and for other purposes therein mentioned, nails are rated at two cents per pound, and nothing is said about spikes.

The construction upon this at the Treasury, and which has been signified by the Comptroller, is, that the duty on spikes remains as before, and that the duty on nails only is varied; the reasons of which construction are, that the legislature named spikes in one instance and did not name them in the other; and though there is a duty of ten per centum ad valorem on manufactures of iron generally, yet it is with the exception of those *otherwise particularly enumerated;* which expressions not being confined to the act in which they are used by the usual word *herein*, or any word of similar import, naturally extend to enumerations in any prior act as well as those in which they are used. Consequently spikes, being among the enumerated articles in the previously existing law, were considered as excepted, and as continuing under the same duty as before. The last act does

* In the new Collection law, the words, "according to law," are omitted, which is barely mentioned, to show that the Legislature laid no stress upon them.

not alter the duties generally, but merely on such articles as are therein enumerated and described.

A doubt has nevertheless been communicated, not only as to the justness of this construction, but whether an officer who doubts is, in such a case, at liberty from the tenor of his oath to comply with it.

The other case alluded to, relates to the question of fees under the coasting act. The instructions which were given under this head, though punctually observed in most of the districts, have been materially departed from in some of them.

The first being a case relating merely to the *quantum* of revenue, is certainly one in which the opinion of the officer at the head of the finances of the United States ought to be conclusive.

The second being a question between the pecuniary rights of the officers, and the pecuniary obligations of the citizens, in a point which their contentment or dissatisfaction with the laws, and the interest and convenience of a most precious branch of commerce, the coasting trade, were materially concerned, it is conceived, that the opinion of the officer, who, by law, is charged with the general superintendence of the collection of the revenue, ought to have prevailed.

These examples are mentioned to show to those officers, whose practice has been undeviatingly conformable to the general principle which has been inculcated, that the assertion of it has been called for by instances of departure from it. And the foregoing observations are addressed, circularly, rather than to individual officers, whose practices in these instances has rendered them necessary, for three reasons. 1. That as misconceptions have taken place in some instances, it is possible that similar misconceptions may happen in others, and it is wished to anticipate and prevent them, from an ardent desire to avoid sources of misunderstanding, as well as occasions of interruption to the due course of the public business. 2. From the possibility that deviations may have happened in more instances than are known at the treasury. And, 3. From a wish to pursue the most delicate mode of animadversion. But while I am desirous,

on public principles, of establishing what I suppose to be correct views of the just and necessary authority of this department, I trust that nothing I have said will tend to discourage freedom of observation of any instruction which may issue from it. I shall constantly think myself indebted to any officer who shall give me an opportunity of revising an opinion, with the aid of his remarks, which may appear to him not consonant with law, with his own rights, or with the good of the service. To every communication of this sort, I have always paid, and shall always pay careful attention. And as often as I can be convinced of an error, I shall with cheerfulness acknowledge and retract it.

With great consideration, I am, Sir,

Your obed't serv't,

A. HAMILTON.

TREASURY DEPARTMENT, July 22, 1792.

SIR:

When an appeal was made to me, by certain officers of the customs, respecting the fees to which they were entitled under the Coasting Act, I took the only method then in my power, to aid my own judgment to a right decision. The Attorney General not being at the seat of government, I applied to two of the most able counsel in the city of New-York (one of whom is the attorney of the United States for the district), for their opinions. I carefully examined the law myself; and agreeing with those gentlemen in the construction of it, I signified the result in a circular communication.

It, however, has since appeared, that the construction, then adopted, has been deemed by some of the officers of the customs so clearly unfounded, as, in their opinion, to warrant a departure from the instruction given. And it has also appeared, that respectable law opinions were opposed to those of the gentlemen whom I had consulted.

Had I not been in continual expectation that a new law would have obviated the difficulty, I should have taken much

earlier measures to settle the question in some definitive, and if possible, satisfactory mode. But session after session having passed, and further delay being still possible (though, I confidently reckon on a new coasting law in the course of the next session), I have thought it incumbent upon me to bring the affair to an issue.

Circumstanced as it was amidst a diversity of legal opinions, it seemed to be the proper course to consult the Attorney General, who, by law, is the adviser of heads of departments, as to questions of law.

This has been done, and the event is, that his opinion differs from that which was originally adopted and communicated by me. A copy of his answer to the questions put to him is herewith transmitted.

In this state of the matter which so directly concerns the interests of the officers, I think it proper to rescind the instruction heretofore given; though my own view of the subject remains unchanged. Each officer will then pursue that course which appears to him conformable to law, to his own interest and safety, and to the good of the service.

Having said that my view of the subject remains unchanged, I think fit to specify, more particularly than I have yet done, the reasons which govern it.

1. It is conceived to be an important general rule (where no principle of public policy calls for a free interpretation), that the subject shall not be taxed or burthened by construction. This rule I think will be violated, if the sixty cents is made a *several* compensation for *several* services, because the coupling of the two objects, which are supposed to be distinct services, by the word "and," and the naming of the compensation but once, at the end of the sentence, does, according to the most obvious, literal and grammatical construction, connect the two objects into one service entitled to one compensation. The particle "for" does not in my opinion weaken this conclusion, as it is in such cases a mere expletive, used or not according to the ear of the writer. The rule which has been mentioned is particularly necessary to be attended to, in regard to fees of Office, since the

experience of all countries has shown, that latitude in this particular is liable to much abuse, to the great vexation and oppression of the citizen.

2. Though it is true that the words "and" and "or" are sometimes considered as synonymous in legal constructions; yet it is generally to answer some purpose which the law favors, as the giving effect to some general maxim of law, some general rule of property, some general principle of public policy, &c.

The constructive extension of fees of Office, is presumed to be of this nature. The very act upon which the present question arises appears anxious to guard against the danger of abuse from this quarter, by annexing penalties to the demanding of any other or greater fees than are allowed. If there had been no case in which the two items concurred as *parts* of one *entire service*, it would have been a good reason for considering them as distinct, though with some violence to literal construction; but as they do so unite in certain cases, it is a strong argument against the separation contended for.

3. It appears to have been the intention of the Legislature to make a separate enumeration of the same or exactly similar services, annexing to each a separate compensation; and avoiding the conjunction of *dissimilar* services, though attended with *equal* compensations, as in the instances of *permits* to land goods of foreign growth or manufacture, and *bonds;* for each of which services twenty cents are allowed. The idea of greater affinity between the services in question as a reason for their union, is not founded. In the cases in which they are really distinct, they are as dissimilar as any two operations can be. The circumstance alluded to, is said to be a slight one. Alone, it is confessed it would have no very decisive weight, though it would not be to be disregarded; yet it is of a nature to fortify other considerations.

4. An *entry* and the *receiving of* and *qualifying* to a manifest in all cases under the 27th section, are essentially *one* and the *same act;* to construe them as several in these cases, would be to multiply one act and one service into two acts and two services; and yet it is not perceived, if a several compensation is under-

stood to be annexed to them, as several services, how it should not apply when they are performed by one person, as well as when they are performed by two persons.

5. The *association* of an entry with the *receiving of* and *qualifying* to manifests in cases arising under the 27th section, is a natural one; the two things being coupled, or rather the one thing constituting the other; but the association of the latter, in cases arising under the 25th and 26th sections, where outward bound vessels are contemplated, with the entries of inward bound vessels, would be unnatural and incongruous. The entry being the primary and leading idea, the receiving of and qualifying to the manifest, as incidents to it, are naturally mentioned in the same clause; but not so if they refer to a substantive and independent service, having a different object, and preceding the entry in the order of the transaction.

It has been objected, that it would have been tautology to have mentioned the *receiving of* and *qualifying* to manifests, if they did not mean something distinct from the entry under the 27th section, of which they form a part. But there are other entries, those under the 28th section, with which they do not coincide, and the supposition is, that they were meant to describe the entries under the 27th section, and that a compensation for those under the 28th, has been through mistake omitted.

6. The construction which makes the services and the compensation several, will operate in many instances oppressively to the citizens engaged in the business. If a vessel takes on board foreign goods of no greater value than 200 dollars, or 400 gallons of ardents spirits, in one district, and delivers them in another, *even* in an adjoining one, she will have to pay:

	Cents.
For receiving and qualifying to her manifest, in the district from which she departs, - - - -	60
For a permit to proceed to the place of destination,	25
For receiving her entry at the port of delivery, -	60
For a permit to land, - - - - - - -	20
Making altogether,	165

Again, if a vessel takes on board a single barrel of flour in one district, to be delivered in another, even an adjoining one, where there is a collector or surveyor, she will have to pay:

	Cents.
For receiving her entry at the port of delivery,	60
For receiving and qualifying to her manifest at the same port, - - - - - - - - -	60
Making together,	120

In both cases considerably more than the freight of the articles may amount to, and more than it is conceived would be a due compensation for the services rendered, and a reasonable burthen on the trade.

An idea indeed has been entertained that, though the service be several, and entitled to a distinct compensation, it is not so in regard to cases of the last mentioned kind, because the receiving of and qualifying to manifests is there involved in the entry. But this, it is conceived, would be a departure from consistency of construction. If a particular compensation is annexed to a particular service as *such*, and in the *abstract*, it follows the service, and attaches itself to it, whether performed by the same, or by different persons, whether separately or in connection with another service, especially if the law designates the latter service as contradistinguished from the former. It is to be remembered, too, that the entry always carries with it the *receiving* of a manifest, though not always the *qualifying* to it.

It has been said that, whether the compensation would be excessive or not, is a question merely for the Legislature. But certainly a presumption of the intention of the Legislature not to burthen trade, is a circumstance which ought to serve as a guide in the construction of provisions, which it must be confessed are not free from ambiguity. And this presumption, in the present case, is suggested by the general policy of the coasting act, which evidently aims at privileging and protecting the coasting trade.

I shall now take notice of some of the arguments which have

been used for a construction opposite to that which I adopt, and which have not been already adverted to.

1. It has been observed, that it is customary for the fees of entry and clearance to be equal; that this is so by the collection law of the United States; and that it is probable the Legislature intended to preserve the same equality in the coasting act.

But this equality would not attend the construction for which it is made an argument.

The true clearance in the coasting act is the permit to depart; and for that the fee is expressly twenty-five cents. The entry-fee would be, in every case, sixty cents; in cases under the 27th section, if uniformity of principle be preserved, it would be 120 cents. If the receiving and qualifying to the manifest are taken in connection with the clearance, then the expense of a clearance would be 85 cents; that of an entry, in some instances 60, in others 120; for, by no mode of reasoning, can the fee for the permit to depart, which is the real clearance, be excluded from the comparison.

2. It is objected to my construction, that greater services relating to foreign goods are less compensated than lesser services relating to domestic commodities; which cannot reasonably be presumed to have been the intention of the Legislature.

This is true, and it constitutes an objection of weight, but not a conclusive one. It is not a very uncommon case for the law to be defective in provisions necessary to fulfil the intention of the framers of it; and where the main design of the law would not be fulfilled without supplying, by construction, the deficiency of provision, great latitude ought to be taken. But this is not so as to mere collateral points, no way essential to the principal objects of the law. These omissions may easily be supposed and admitted, and they ought not to be supplied either by any violence to the literal expression, or at the price of more important inconveniences. Where the question is between individual advantage and public mischief, as by forming a precedent liable to abuse, or by throwing an undue burthen on a branch of industry, no latitude of construction ought to be indulged to attain the former.

It is certain that the act in question is very inaccurately drawn, and in many particulars unprovisional, which is the reason for admitting it to be so in the particular under consideration.

'Tis not the only instance in which entire classes of services are omitted to be compensated. In this predicament are licenses for vessels under twenty tons, the endorsing upon registers, &c., memorandums of changes of masters, and giving notice of them, the administering of oaths generally, and even where they constitute distinct services, as where the collector of one district takes the oath of an owner, in order to the registering of a vessel in another district, which is also attended with the additional service of a transmission to the last-mentioned collector, permits to land goods not of foreign growth and manufacture.

Hence the idea of finding a compensation for each service, is a delusive ground of argument, and that of a proportional compensation is not less so. It belongs, indeed, to neither construction. It has been already seen that an entry, attended with the only additional circumstance of *swearing* the master of a vessel to his manifest, would carry double the compensation of an entry without that circumstance.

3. It has been remarked, as repelling the inference to be drawn from omissions in other cases, that in this the service has been mentioned by the Legislature, and of equal respectability with an entry, and that, therefore, it ought not to be denied a compensation.

In what light it may be conceived to have been mentioned, has been stated as incident to the entry in certain cases descriptive of it. But it will not follow that when circumstances, which are incidents in particular cases, are mentioned in immediate connection with the main object, that the specification is intended to extend to other cases in which they are incidents to a different service, namely, the *certifying* of a duplicate manifest, and the *permit to depart*, or the clearance.

Three circumstances operate in this view of the subject, against the supposition, that the receiving of, and qualifying to, manifests were intended to be remunerated as *independent* services.

They are in no case *such*. They are either prerequisites to the *certificate* and *permit*, directed by the twenty-fifth and twenty-sixth sections, which are the principal services there, or concomitants of the entry, directed by the twenty-seventh section.

2. If the specification was intended to refer specially to cases under the twenty-fifth and twenty-sixth sections, as has been alleged, the expression would naturally have been "for receiving, qualifying to, and certifying, every manifest."

3. The receiving and qualifying to manifests, are constantly incidents to entries and clearances under the collection law; and yet they have no distinct remuneration as such. The *qualifying* to any document is, in none of the revenue laws, a subject of particular compensation, and yet, as the *certificate* is not mentioned, and as the *permit to depart* has a distinct fee, there seems to be no other *act* left to which the fee of sixty cents is to attach itself. Is it probable that the legislature intended so considerable a recompense for a service in this case, which in every other, they have omitted to reward? Certainly, at least, the argument which asserts that those services would not be intended to be performed for nothing, fails. If they are rewarded under the collection law, in the fee for a clearance, so may they equally be conceived to be rewarded under the coasting act, in the fee for the *permit to depart*, which is there the clearance also. This fee cannot even be said to be inadequate to the *whole service*, in that case to be performed, the parts of which are the administering an oath, the certifying upon the manifest, which is supposed to be produced by the party, "that it had been sworn (or affirmed) to, and delivered according to law," and the granting a permit to depart. Some stress has been laid upon the word *every*. I take this to be, as here used, merely calculated to denote the singular number, and to operate distributively only, as the plural word "vessels," which follows.

I shall barely add, for greater caution, that the instruction which is meant to be rescinded, is merely that which relates to the meaning of the following clause: "For every entry of inward cargo, directed to be made in conformity with this act, and

for receiving of, and qualifying to, every manifest of vessels licensed to trade as aforesaid."

With much consideration,

I am, Sir, your obedient servant,

A. HAMILTON.

P. S. I should think it a better and more equitable construction of the act than that which considers the two things as several, to reject, as mere surplusage, the words "and for receiving of, and qualifying to, every manifest of vessels licensed to trade;" annexing no fee to it, in *any case;* but leaving the entry in *every case*, as well on the twenty-eighth and twenty-seventh sections, to be entitled to a fee of sixty cents.

TREASURY DEPARTMENT, August 27, 1792.

SIR:

It would be useful, in regard to the return of exports, which is transmitted quarterly to this office by the collector, if the exported articles were uniformly arranged in alphabetic order.

With a view to this, I inclose you a form of such an alphabetical arrangement, and request that, for the future, you will have the article of exports inserted in the said return agreeably to that form, expressing the different quantities of each article as therein prescribed. In all respects the form of the return of exports will remain as heretofore.

I have to desire that you will furnish me with a monthly abstract of all licenses which shall be granted to coasting and fishing vessels in your district, to be forwarded after the expiration of every month. The annexed form will show the particulars to be inserted. It is, of course, not required that copies or duplicates of licenses should be transmitted to the treasury, as has been done in some instances.

A difference of opinion between the Collectors and Supervisors has occurred in regard to the seventh section of the act concerning the duties on spirits distilled within the United

States, &c. The true construction is, that the abatement of two per cent. for leakage is to be made on securing the duty at the end of every quarter, from the whole quantity distilled during the preceding three months. And hence, it will be necessary that, in cases of exportation, the drawbacks on distilled spirits be adjusted with an eye to the allowance.

A doubt has arisen on the 35th, or more properly, on the 36th section of the collection law; whether molasses is to be construed within the meaning of that section. I am of opinion it is; and that the allowance of two per cent. for leakage ought to be extended to that article.

I am, Sir,

A. HAMILTON.

TREASURY DEPARTMENT, October 25, 1792.

SIR:

Pursuant to the discretion vested in me by the sixth section of the act entitled, "An act making alterations in the Treasury and War Departments," I have concluded to transmit the immediate superintendence of the collection of duties of impost and tonnage to the Comptroller of the Treasury.

You will, therefore, henceforth, correspond with that officer, relatively to all matters arising out of the laws, which respect the laying or collecting of those duties, and will consider his communications and instructions, in regard to such matters, as of the same force and validity which they would have if coming from me.

This, however, is not to be understood to comprehend the disposition and payment of the moneys accruing from those duties which, as heretofore, will be under my immediate direction.

Accordingly, all the returns and documents which you have been accustomed to transmit to the Secretary of the Treasury, are hereafter to be transmitted to the Comptroller, except the following:

1st. Weekly returns of moneys received and paid.

2d. Monthly schedule of bonds.

3d. Monthly abstract of bonds unpaid.

4th. Paid drafts and receipts for moneys paid to banks and otherwise under special direction from me.

I expect to be furnished, as early as possible, with an estimate from the best materials that can be furnished, of what is likely to be the amount of the bounties payable within each district, on fishing vessels, where they exist, pursuant to the act entitled, "An act concerning certain fisheries of the United States, and for the regulation and government of the fishermen employed therein;" and to be informed, at the same time, how far the moneys likely to be in hand by the period of payment, which is the last of December, will suffice for or fall short of the sum necessary.

Those collectors who shall have any of the before-mentioned bounties to pay, and who have instructions to make their remittances to any of the banks, are herewith authorized to retain in their hands out of the moneys which they have and shall receive, a sum sufficient to answer the purpose.

I am, Sir, etc.,

ALEX. HAMILTON.

TREASURY DEPARTMENT, March 29, 1798.

SIR:

A question has been made, What is to be the voucher to a Collector for entering anew a vessel which has been altered in *form* only, the 6th section of the act concerning the registering and recording of ships and vessels having made provisions only for the case of an alteration in burthen?

I answer, that the form of a certificate of registry, prescribed by the 9th section of that act, supposes a certificate from the Surveyor, or person acting in his stead, for the special occasion, in every instance, except merely that of a transfer of property,

when provision is made for referring to the former certificate of registry, as a substitute.

It follows, then, that in the case of an alteration in *form* as well as *burthen*, such a certificate is necessary as an official description of the vessel and a voucher for registry.

The only difference will be, then, when altered in burthen, a vessel must be actually *measured* anew, to ascertain her tonnage. When only altered in form, so as not to affect her burthen, then the tonnage may be certified from her old register, and in the first place a fee for admeasurement will be due; in the last, none. An arrangement which will conduce to the mutual convenience of the officers of the Customs and of the Treasury.

I am to request, that all communications which may be requisite, after the receipt of this letter, relating to matters arising under either of the two acts, the one entitled, "An act concerning the registering and recording of ships or vessels;" the other entitled, "An act for enrolling and licensing ships or vessels to be employed in the coasting trade and fisheries, and for regulating the same;" may be addressed to the Comptroller of the Treasury; and the instructions which shall be transmitted by him in relation to those laws, may be considered of the same force as if proceeding directly from the head of the department. It is, however, not intended by this, to prevent an immediate recourse to the Secretary of the Treasury in any special case or circumstance, which may be thought to render it necessary.

All documents directed by either of these acts to be transmitted to the Treasury, are to be forwarded immediately to the Register of the Treasury.

It appears that some of the collectors have put a construction on my circular letter of the 2d of January, 1792, which precludes the cash notes and post notes of the branch banks or offices of discount from being received for duties and exchanged for specie. This is contrary to the design of that instruction. These notes being in fact notes of the Bank of the United States, signed by their President and Cashier; and having the same leading marks for distinguishing counterfeits from the genuine,

as have been already communicated to you, are to be received and exchanged in like manner as heretofore directed.

I am, Sir, your obd't serv't,

A. HAMILTON.

INSTRUCTIONS TO THE COLLECTORS OF THE CUSTOMS.

PHILADELPHIA, August 4, 1793.

SIR:

It appearing that repeated contraventions of our neutrality have taken place in the ports of the United States, without having been discovered in time for prevention or remedy, I have it in command from the President, to address to the collectors of the respective districts a particular instruction on the subject.

It is expected that the officers of the customs in each district will, in the course of their official functions, have a vigilant eye upon whatever may be passing within the ports, creeks, inlets and waters of such district, of a nature to contravene the laws of neutrality, and upon discovery of any thing of the kind, will give immediate notice to the Governor of the State, and to the attorney of the judicial district, comprehending the district of the customs within which any such contravention may happen.

To assist the judgment of the officers on this head, I transmit herewith a schedule of rules, concerning sundry particulars which have been adopted by the President, as deductions from the laws of neutrality, established and received among nations. Whatever shall be contrary to these rules will, of course, be to be notified as above-mentioned.

There are some other points which, pursuant to our treaties, and the determination of the Executive, I ought to notice to you.

If any vessel of either of the Powers at war with France should *bring* or *send* within your district a prize, made of the subjects, people or property of France, it is immediately to be

notified to the Governor of the State, in order that measures may be taken, pursuant to the 17th article of our treaty with France, to oblige such vessel and her prize, or such prize, when sent in without the capturing vessel, to depart.

No Privateer of any of the Powers at war with France, coming within a district of the United States, can, by the 22d article of our treaty with France, enjoy any other privilege than that of *purchasing such victuals as shall be necessary for her going to the next port of the Prince or State from which she has her commission.* If she should do any thing beside this, it is immediately to be reported to the Governor and the Attorney of the district. You will observe by the rules transmitted, that the term privateer is understood not to extend to vessels armed for merchandise and war, commonly called with us *letters of marque*, nor, of course, to vessels of war in the immediate service of the Government of either of the Powers at war.

No armed vessel which has been or shall be *originally fitted out* in any port of the United States by either of the parties at war, is henceforth to have asylum in any district of the United States. If any such armed vessel shall appear within your district, she is immediately to be notified to the Governor and Attorney of the district, which is also to be done in respect to any prize that such armed vessel shall bring or send in. At foot is a list of such armed vessels of the above description, as have hitherto come to the knowledge of the Executive.

The purchasing within and exporting from the United States, *by way of merchandise*, articles commonly called contraband, being generally warlike instruments and military stores, is free to all the parties at war, and is not to be interfered with. If our own citizens undertake to carry them to any of those parties, they will be abandoned to the penalties which the laws of war author ize. You will be particularly careful to observe and to notify, as directed in other instances, the case of any citizen of the United States, who shall be found in the service of either of the parties at war.

In case any vessel shall be found in the act of contravening any of the rules or principles which are the ground of this

instruction, she is to be refused a clearance until she shall have complied with what the Governor shall have decided in reference to her. Care, however, is to be taken in this, not unnecessarily or unreasonably, to embarrass trade or to vex any of the parties concerned.

In order that contraventions may be the better ascertained, it is desired that the officer who shall first go on board any vessel arriving within your district, shall make an accurate survey of her then condition as to *military equipment*, to be forthwith reported to you; and that, prior to her clearance, a like survey be made, that any transgression of the rules laid down may be ascertained.

But as the propriety of any such inspection of a *vessel of war in the immediate service of the Government* of a foreign nation, is not without question in reference to the usage of nations, no attempt is to be made to inspect any such vessel, till further order on the point.

The President desires me to signify to you his most particular expectation, that the instructions contained in this letter will be executed with the greatest vigilance, care, activity and impartiality. Omissions will tend to expose the Government to injurious imputations and suspicions, and proportionably to commit the good faith and peace of the country—objects of too much importance, not to engage every proper exertion of your zeal.

With consideration, I am, Sir, &c.,

ALEXANDER HAMILTON.

1. The original arming and equipping of vessels in the ports of the United States, by any of the belligerent parties, for military service, offensive or defensive, is deemed unlawful.

2. Equipments of merchant vessels, by either of the belligerent parties, in the ports of the United States, purely for the accommodation of them as such, is deemed lawful.

3. Equipments in the ports of the United States, of vessels of war in the immediate service of the Government of any of the belligerent parties, which, if done to other vessels, would be

of a doubtful nature, as being applicable either to commerce or war, are deemed lawful, except those which shall have made prize of the subjects, people, or property of France, coming with their prizes into the ports of the United States, pursuant to the 17th article of our treaty of amity and commerce with France.

4. Equipments in the ports of the United States, by any of the parties at war with France, of vessels fitted for merchandise and war, whether with or without commissions, which are doubtful in their nature, as being applicable either to commerce or war, are deemed lawful, except those which shall have made prize, &c.

5. Equipments of any of the vessels of France, in the ports of the United States, which are doubtful in their nature, as being applicable to commerce or war, are deemed lawful.

6. Equipments of every kind, in the ports of the United States, of privateers of the powers at war with France, are deemed unlawful.

7. Equipments of vessels in the ports of the United States, which are of a nature solely adapted to war, are deemed unlawful, except those stranded or wrecked, as mentioned in the 18th article of our treaty with France, the 16th of our treaty with the United Netherlands, the 9th of our treaty with Prussia, and, except those mentioned in the 19th article of our treaty with France, the 17th of our treaty with the United Netherlands, the 18th of our treaty with Prussia.

8. Vessels of either of the parties, not armed, or armed previous to their coming into the ports of the United States, which shall not have infringed any of the foregoing rules, may lawfully engage or enlist therein their own subjects or citizens, not being inhabitants of the United States; except privateers of the Powers at war with France, and except those vessels which shall have made prize, &c.

INTEREST ON CLAIMS.

Communicated to the House of Representatives, March 19th, 1790.

TREASURY DEPARTMENT, March 18th, 1790.

The Secretary of the Treasury, on the memorial of the late officers of the South Carolina line, on continental establishment, respectfully reports:

That it is true, as suggested in substance in the said memorial, that Congress, in consideration of payments in specie which had been made to other parts of the army, did recommend to the State of South Carolina to pay to the officers of its line a sum equal to six months' pay; which recommendation is contained in a resolution of the 10th of October, 1786, in the words following: *Resolved*, That it be, and it is hereby, recommended to the State of South Carolina to pay to the officers of their late line and hospital department, the said sum of $10,276 $\frac{2}{9}$, mentioned to be due to them by the said report, the said sum to be paid to the said officers, agreeably to a return of the late Paymaster-General, and for which the said State shall have credit on the specie proportion of the last requisition.

That warrants or drafts on the commissioner of loans for the said State, payable to the bearer, were accordingly issued by the late Board of Treasury to the respective officers for the sums to them severally due in conformity to the said resolution: which drafts, for want of money in the hands of the commissioner, were not paid.

That arrangements were afterwards taken by the said Board towards the payment of those drafts, if retained, and consequently no further provision is now necessary, except with regard to the claim of interest.

That the claim of interest may have reference to the time preceding the issuing of the drafts, and the time subsequent to it. That, with respect to the first period, had the accounts of the said officers been adjusted in the ordinary mode, and certificates granted, they would have borne interest from the time

the pay became due; but Congress, in directing the payment of the principal only, as was the case by the resolution recited, appear to have decided against the allowance of that which had previously accrued. That, with respect to the period subsequent to the issuing of the drafts, it would be contrary to the practice of the Treasury to allow interest, which has not been usual upon warrants or drafts issued for payment of moneys due.

That an innovation upon a practice, which has governed in a great extent and variety of cases, would of course be productive of much inconvenience and embarrassment, and, in many instances, would have an improper operation, as the negotiations of such drafts between individuals have been without a view to interest.

That similar drafts, excluding interest, were issued to the lines of Virginia and North Carolina, and though attended with a delay of payment, were afterwards taken up, without allowance of interest; as is also daily the case in respect to warrants issued by the late Board of Treasury, for which an appropriation was made during the last session.

That, from the foregoing facts and considerations, the Secretary is of opinion, that the claim of the memorialists to interest ought not to be admitted. The past situation of public affairs has unavoidably given too much occasion for complaints of individual hardship; but, in most instances, they are rather to be regretted than redressed. Confusion would ensue from a departure from former decisions and established usages, where the cases are not very peculiar, and very clearly distinguishable as such.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

TREASURY DEPARTMENT, April 12th, 1790.

The Secretary of the Treasury, on the memorial of James Warren, to him referred by an order of the House of Representatives of the 3d instant, respectfully reports:

That it appears, upon examination of the case of the memorialist, that in the years 1777 and 1778 several cargoes of merchandise, which had been imported for the use of the United States, were consigned to his care; and that, in the settlement of his accounts concerning those cargoes by the Commercial Committee, he was allowed only the nominal amount of his expenditures and commissions.

That this settlement took place on the 28th November, 1780 (at which time there was no authority to make an allowance for depreciation); and that, on the 31st January, 1781, a warrant was drawn by the President of Congress on the Treasurer of the State of Massachusetts for $32,553 $\frac{3}{90}$, being the liquidated balance of the memorialist's account.

That the said warrant was, some time in the year 1782, discharged in specie by the State of Massachusetts, at the rate of one dollar for seventy-five of the sum expressed upon the face of it.

That the claim of the memorialist is, first, for an allowance of depreciation on the items of the account settled by the Commercial Committee (alleging, as a peculiarity in his case, that the settlement was made by an agent, not by himself, and that there was a demand for depreciation at the time, though not admitted for want of authority).

Secondly, for the difference between the established rate of old emission money, when the warrant was issued to him, and that at which it was discharged in specie, which he computes to amount to £115.19.6, lawful money of Massachusetts.

In relation to which facts and circumstances the Secretary begs leave to observe, that it is an important general rule, that regular settlements, in the established course, involving general principles, should remain untouched. That this rule, in refer-

ence to transactions during the late war, derives peculiar force from the then peculiar situation of public affairs. That in no respect is its observance more necessary than in whatever regards questions of depreciation. That every precedent of an admission of a claim upon that ground, beyond the limits now observed at the Treasury, must be more or less dangerous. That, in particular, it seems necessary to adhere to this as a principle, that when an account has been adjusted and a balance discharged, no claim for depreciation ought afterwards to be admitted.

That the circumstance of the settlement having been made by an agent is no uncommon one. Nor does the demand stated to have been made at the time for an allowance for depreciation appear to the Secretary of any material weight. It is naturally to be presumed, that the interest of applicants must have rendered such demands frequent, and the completion of the settlement without it shows that it was not persisted in.

The Secretary, however, thinks it incumbent on him to state to the House that, as far as regards the mode of payment, there is something distinguishable in the case. He does not find, on inquiry, that it can have had place in many instances in the precise form; nevertheless, the degree of force which this circumstance may be supposed to have, is overruled, in his judgment, by the danger of a precedent for a new species of claim for depreciation. The allowance of it, too, on this ground, would seem to involve this principle; that for depreciation which may have accrued between the time an order for payment may have been given and the time of actual payment, compensation is to be made—a principle which, it is to be apprehended, might have extensive consequences.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

RENEWAL OF LOST CERTIFICATES.

Communicated to the House of Representatives, April 21, 1792.

TREASURY DEPARTMENT, April 18, 1792.

The Secretary of the Treasury, to whom were referred by the House of Representatives the several petitions specified in the list herewith, praying the renewal of certain certificates, which are alleged to have been destroyed or lost, respectfully makes the following report thereupon:

The said Secretary, in a report heretofore made to the House of Representatives on a petition of Jacob Rush (a copy of which is annexed), has stated his opinion concerning the propriety of renewing certificates which have been destroyed or lost, and concerning the precautions which ought to accompany relief in cases in which it may be deemed proper to grant it.

The paper B contains an abstract of the several petitions specified in the list, and of the proof, where any is produced, which accompanies them, with brief observations on the respective cases.

It however merits consideration, whether any certificate ought to be renewed until the course of the public operations shall have called in all the old ones which are still outstanding, and until an arrangement now in execution at the Treasury, whereby it will be easy to ascertain what certificates have been taken in and cancelled from the earliest period, shall have been completed.

It can rarely happen that the proof adduced is more than strongly circumstantial; and the cases numbered 18 and 23, in which certificates, sworn to have been destroyed, have been presented or taken up at the Treasury, serve to evince the necessity of peculiar circumspection.

The renewal of any kind of paper, which is negotiable to bearer, is, in the nature of the thing, liable to considerable danger, and it is to be doubted whether it may be conformable to usage in similar cases. It is, therefore, though equitable, dis-

cretionary on the part of the Government, and it is reasonable that the doing of it should be accompanied with every precaution necessary for the public safety.

The taking of security to indemnify the Government from future claims is a safeguard; but, for obvious reasons, it can never be considered as one which can altogether be relied upon.

All which is humbly submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

TREASURY DEPARTMENT, August 5th, 1790.

The Secretary of the Treasury, having considered the petition of Jacob Rush, referred to him on the 29th day of June last, respectfully reports:

That the reasons which induced the last Congress of the United States to grant a renewal of continental loan-office certificates, destroyed through accident, appear of equal weight in regard to other evidences of the public debt which have been the subjects of similar casualty.

That justice to the petitioner, therefore, seems to require that an opportunity of renewing his certificates be granted him; and as there are several applications of the same nature, it is respectfully suggested that it will be expedient to provide, by law, for administering relief to all who shall be found similarly circumstanced, under the following cautionary regulations, which are, in most particulars, the same as those provided in the case of loan-office certificates, so far as they will apply to the different circumstances of the certificates.

That the certificates renewed be issued to those who shall appear to have been the holders of them at the time they were destroyed, or, if dead, to their legal representatives.

That the certificates destroyed be advertised in the newspapers of the State where the accident happened, and in the State where they were issued; which advertisement shall be con-

tinued six weeks, and shall contain the numbers, dates, sums, names in which the certificates were taken out, and the time when, the place where, and the means by which, they were destroyed; that a copy of the advertisement be lodged in the office of the commissioner of loans within the State in which the certificates alleged to have been destroyed were issued, together with such testimony as can be procured, ascertaining the time when, the place where, and the means by which, the destruction happened; which copies and testimonies shall be duly certified by the said commissioner, to be laid, by the party claiming the renewal, before the Comptroller of the Treasury, who shall finally decide on the sufficiency thereof.

That the party claiming the renewal enter into a bond to the United States, with two or more sufficient freeholders as sureties (the sufficiency to be judged of by the said Comptroller), in double the amount of the value of the certificates claimed to be renewed, with condition to indemnify the United States against the holders of the certificates said to be destroyed, should any such afterwards appear.

That no certificate be renewed before the expiration of three months after the publication of the advertisement above mentioned; and that there be an endorsement on each renewed certificate, signifying that the same was issued in lieu of one destroyed by accident, and describing the original.

In regard to certificates which have not been destroyed by accident, but which have either been lost or captured, or otherwise taken away, it appears extremely difficult to devise any mode of relief to the sufferers which will not subject the United States to so much hazard of imposition and injury as to render the expediency of it questionable. If the House should nevertheless be of opinion that justice requires it, it may be granted under the same regulations which are proposed in respect to certificates destroyed.

All which is humbly submitted.

ALEX. HAMILTON,
Secretary of the Treasury.

CLAIMS FOR DEPRECIATION, PROPERTY USED, DAMAGED OR DESTROYED BY THE ARMY, AND FOR INTEREST ON ADVANCES FOR THE USE OF AMERICAN PRISONERS AT QUEBEC.

Communicated to the House of Representatives, November 22, 1792.

TREASURY DEPARTMENT, November, 1792.

The Secretary of the Treasury, to whom were referred the several petitions specified in the list herewith transmitted, respectfully submits the following report thereupon:

These petitions seek indemnifications upon various sums of paper money received from the public during the late war, by the respective petitioners, on account of claims arising upon transactions of that period.

There is no subject upon which the special interposition of the Legislature for relief of particular individuals, can be more delicate and dangerous, than that of depreciations; the infinite multitude of cases, in which claims of this nature might, with equal, or nearly equal, degrees of equity, be supported; the impossibility, from the extraordinary circumstances of the times when those claims originated, of doing general justice, the inextricable confusion and incalculable expense of an attempt to redress all the grievances and hardships of that kind, which unavoidably took place, afford considerations of the most powerful nature for leaving every question of depreciation, where the rules and principles of settlement at the Treasury have left it.

If the claim of either of the petitioners is within those rules, and not barred by the acts of limitation, no interposition of the Legislature is necessary. If not within those rules, and barred by the acts of limitation, such an interposition would, in point of precedent, be of the most inconvenient tendency. The magnitude and extreme delicacy of the matter in question, appear to render it advisable to adhere to the acts of limitation, as well as the rules of settlement at the Treasury, in this particular, with peculiar caution and strictness.

Such was the policy of the United States in Congress assembled, and a perseverance in that policy is recommended by a variety of weighty reasons.

The Secretary understands that no allowance of depreciation, in either of the cases mentioned in the petitions, would be contrary to the rules and principles which have governed in public settlements.

All which is humbly submitted,

ALEX. HAMILTON,

Secretary of the Treasury.

COMPOSITION WITH A DEBTOR.

Communicated to the House of Representatives, January 14th, 1794.

TREASURY DEPARTMENT, January 14th, 1794.

The Secretary of the Treasury, to whom was referred by the House of Representatives, the memorial of Daniel Parker, respectfully makes thereupon the following report:

The suggestions contained in the memorial do not appear to be of a nature to call for a re-adjustment of the account. The probability of peace within the year was an event to have been calculated upon on both sides, in forming the original contract: the loss of vouchers is the misfortune of the party, of a nature to be equally an obstacle in a new, as in the former settlement. But there are circumstances which may render it the interest of the United States to compound the debt. It is understood that all the debtors have been in a state of insolvency. It is now not certainly known what is the condition of the memorialist. This may demand further inquiry.

In the mean time, if it should appear to Congress advisable to vest somewhere a power to make a composition of the debt,

it would probably be conducive to the interest of the United States.

All which is humbly submitted.

ALEX. HAMILTON,
Secretary of the Treasury.

COMMENT ON THE REFERENCE OF PRIVATE CLAIMS TO THE SECRETARY OF THE TREASURY BY CONGRESS.

Communicated to the Senate, February 26, 1794.

TREASURY DEPARTMENT, February 22, 1794.

SIR:

I have received a late order of the Senate on the subject of a petition of Arther Hughes. Diligent search has been made for such a petition, and it has not been found; neither have I now a distinct recollection of ever having seen it. Whether, therefore, it may not have originally failed in the *transmission* to me, or may have become mislaid by a temporary displacement of the papers of my immediate office, occasioned by a fire which consumed a part of the building in the use of the Treasury, or by some of those accidents which, in an extensive scene of business, will sometimes attend papers, especially those of inferior importa nce, is equally open to conjecture. There is no record in the office of its having been received, nor do any of my clerks remember to have seen it.

A search in the Auditor's office has brought up the inclosed paper,* which it is presumed relates to the object of the petition; but this paper, it will appear from the memorandum accompanying it, was placed in that office prior to the reference of the petition.

The Auditor of the Treasury is of opinion, though his recollection is not positive, that the claim had relation to the services

* Not now to be found.

of John Hughes, as forage-master. Two objections opposed its admission. 1st. The not being presented in time. 2d. The name of John Hughes, in the capacity in which he claimed, not appearing upon any return in the Treasury.

If these be the circumstances, I should be of opinion that it would not be advisable, by a special legislative interposition, to except the case out of the operation of the acts of limitation.

The second order of the Senate, on the subject of this petition, leads to the following reflections:

Does this hitherto unusual proceeding (in a case of no public and no peculiar private importance), imply a supposition that there has been undue delay or negligence on the part of the Secretary of the Treasury?

If it does, the supposition is unmerited, not merely from the circumstances of the paper, which have been stated, but from the known situation of the officer.

The occupations necessarily and permanently incident to the office are at least sufficient fully to occupy the time and faculties of one man. The burthen is seriously increased by the numerous private cases, remnants of the late war, which, every session, are objects of particular reference by the two Houses of Congress. These accumulated occupations, again, have been interrupted in their due course by unexpected, desultory, and distressing calls for long and complicated statements, sometimes with a view to general information, sometimes for the explanation of points, which certain leading facts, witnessed by the provision of the laws, and by information previously communicated, might have explained without those statements, or which were of a nature that did not seem to have demanded a laborious, critical, and suspicious investigation, unless the officer was understood to have forfeited his title to a reasonable and common degree of confidence. Added to these things, it is known that the affairs of the country, in its external relations, have, for some time past, been so circumstanced, as unavoidably to have thrown additional avocations on all the branches of the Executive Department, and that a late peculiar calamity in the city of Philadelphia has had

consequences that cannot have failed to derange, more or less, the course of public business.

In such a situation, was it not the duty of the officer to postpone matters of mere individual concern to objects of public and general concern, to the preservation of the essential order of the department committed to his care? Or, is it extraordinary, that, in relation to cases of the first description, there should have been a considerable degree of procrastination? Might not an officer, who is conscious that public observation and opinion, whatever deficiencies they may impute to him, will not rank among them want of attention or industry, have hoped to escape censure, express or implied, on that score?

I will only add, that the consciousness of devoting myself to the public service to the utmost extent of my faculties, and to the injury of my health, is a tranquillizing consolation, of which I cannot be deprived by any supposition to the contrary.

With perfect respect,
I have the honor to be, Sir,
Your most obedient servant,
ALEXANDER HAMILTON,
Secretary of the Treasury.

To the Vice-President of the United States, and
President of the Senate.

CLAIM OF KENTUCKY FOR EXPENSES ATTENDING CERTAIN EXPEDITIONS AGAINST THE INDIANS.

Communicated to the House of Representatives, April 8th, 1794.

TREASURY DEPARTMENT, April 7th, 1794.

The Secretary of the Treasury, to whom was referred, by an order of the House of Representatives of the 24th of January last, a representation from the Legislature of the State of Kentucky, concerning the expenses of certain expeditions carried on

against the Indians, since the 1st day of January, 1785, respectfully makes the following report thereupon:

The general principles of the settlement of accounts between the United States and individual States, suppose the adjustment of all similar matters which originated prior to the separation of Kentucky from the State of Virginia. Accordingly, it is understood that the expenses of the above-mentioned expeditions were comprised in that settlement, as a claim on behalf of the State of Virginia, upon the United States, and were substantially admitted to the credit of that State.

The Secretary does not perceive that the desire of the State of Kentucky could be complied with, but upon grounds which would demand the entire exoneration of all the States, from debts of contemporary or antecedent dates.

Which is respectfully submitted.

ALEXANDER HAMILTON,
Secretary of the Treasury.

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